

ANNUAL REPORT 2010-2011

FCAC



Financial Consumer
Agency of Canada

Agence de la consommation
en matière financière du Canada

Canada

EMPOWERING CONSUMERS
PROMOTING COMPLIANCE

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FINANCIAL CONSUMER AGENCY OF CANADA

ABOUT THIS REPORT

This annual report covers initiatives and results of the Financial Consumer Agency of Canada (FCAC, or the Agency) during the past fiscal year (April 1, 2010, to March 31, 2011). All references to 2010–11 in this report mean our fiscal year.

All references in this report to “financial institutions,” “financial

entities” or “regulated entities” mean those that are federally regulated and are therefore supervised and monitored by the Agency.

- “Financial institutions” include all banks and federally incorporated or registered insurance, trust and loan companies and retail associations.

- “Financial entities” include all federally regulated financial institutions, as well as payment card network operators and other institutions and organizations that fall under FCAC’s oversight.

All references to “consumer provisions” mean the various consumer-related laws and regulations that apply to the entities regulated by the Agency.



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ending

Module 10
The importance of
the internet and different
Module 11

OS 18032



Financial Consumer
Agency of Canada

Financial Consumer
Agency of Canada

INTERVIEW WITH THE COMMISSIONER

Ursula Menke reflects
on the past year and
looks ahead



WERE THERE BIG TRENDS
OR DEVELOPMENTS THAT
AFFECTED FCAC AND ITS
WORK DURING 2010-11?

Yes, I will highlight three of them:

First, the momentum for financial literacy—a cause long championed by FCAC—continued to accelerate. Several provinces are exploring

or pressing ahead with plans to integrate financial literacy within their educational curricula, while the federally appointed Task Force on Financial Literacy presented its recommendations for a national strategy on the issue. Combined, these developments sparked heightened interest in FCAC's approach to financial literacy and our expertise in the area. I'm delighted that the priorities outlined by the Task Force in its final report reflect the very same principles that have guided FCAC's work since its inception in 2001.

Second, for individual Canadians, personal money management and a tough economy continued to pose challenges. We responded by offering unbiased financial information and guidance. For example, to assist first-time home buyers and owners renewing their mortgages, we launched a public awareness campaign featuring ads in public transit that drew attention to FCAC's suite of mortgage resources. We also teamed up with members of the

real estate industry to prepare financial information further targeting these Canadians.

Third, under legislation passed last year, the federal government gave FCAC responsibility for overseeing payment card network operators, such as Visa, MasterCard and Interac. In addition, the Agency took on an expanded research function. Equipped with a more powerful "radar" on issues affecting financial consumers, we'll be able to better adapt our financial education initiatives to the needs of Canadians and provide more timely and valuable intelligence to the federal government.

WHAT WERE KEY
ACHIEVEMENTS OVER THE
PAST YEAR?

Contributing to Canadians' ability to make better financial decisions is our marker for success, and we believe there are many ways we realized that in 2010-11. Let me note a few specific achievements:

"Contributing to Canadians' ability to make better financial decisions is our marker for success, and we believe there are many ways we realized that in 2010-11."

- Increasing numbers of students and educators across Canada participated in our flagship financial literacy initiative, *The City*. Teachers are crucial to the delivery of this innovative program, and so I am especially thrilled by their active involvement. Those keen on bringing financial education into their classrooms took advantage of not only *The City* but also our train-the-trainer Web conferences, which boosted their capacity and confidence for teaching this essential subject.
- We completed a major review of our consumer education materials to ensure that they are written in clear and simple language. As a government agency, we need to lead by example. That means no financial jargon or legalese. Our efforts have paid off: In public opinion research, Canadians rated our materials highly and gave us a thumbs up for clear language.
- Our partners helped to develop, deliver and/or promote our programs in diverse communities from coast to coast. One of the most exciting examples of this partnership approach is FCAC's new *Financial Basics* workshop for young adults. To create it, we teamed up with the Investor Education Fund of Ontario, and worked in collaboration with financial author and journalist Ellen Roseman. To deliver it,

we are working with various organizations; one of these is the Association of Canadian Community Colleges, which facilitated presentation of the workshop at 10 colleges across the country during 2010–11.

- On the compliance side of our business, we implemented a new platform for assessing the compliance risks faced by financial institutions and payment card network operators. In future, this platform will be integral to our supervisory work. We also investigated complaints related to the compliance of financial entities and worked with the organizations concerned to minimize any negative impacts on financial consumers.

It is rewarding to know that so many Canadians are taking advantage of FCAC resources, including *The City*, Web-based seminars for teachers and our many consumer publications. But I'm truly moved by the hundreds of positive letters, emails and comments we receive from people who have benefited. "Wonderful resource!" some say, or "Meets my curriculum needs," or "I walked away with a wealth of information that I will actually use." Such responses demonstrate that we are having a positive impact on real lives—one student, one teacher, one consumer, one community at a time—through all the programs we deliver or support.

"We are having a positive impact on real lives—one student, one teacher, one consumer, one community at a time."

ARE YOU SATISFIED WITH FCAC'S OVERALL PERFORMANCE IN 2010–11?

Absolutely. We worked hard to empower Canadian financial consumers through education, while promoting consumer-centred compliance on the part of federally regulated financial entities.

WERE THERE ANY CHALLENGES?

As a small agency, we face the ongoing challenge of visibility—making Canadians aware of who we are, what we do and how our programs can benefit them. We made continued progress by conducting a range of marketing activities, along with targeted media and community outreach

campaigns. Our partners also actively spread the word. Still, we have a way to go to make FCAC a household name.

LOOKING AHEAD TO 2011-12, WHAT SHOULD CANADIANS EXPECT FROM FCAC?

This is an enormously exciting time for FCAC. Building on the foundation we've put in place, we will find more ways to ensure that all Canadians have access to the financial information they need, when they need it. That means tailoring our resources to different groups, broadening our partnership network to reach new target audiences and leveraging social networking, through a presence on Twitter and YouTube, to engage financial consumers in a way we couldn't before. As a government organization, we have a lot of credibility. We are known for providing trustworthy and unbiased financial information.

With a new research team in place, we will undertake several projects, including a study of

behavioural factors that influence financial decision making and a review of emerging trends in consumer finance, such as mobile payments. The findings will enable us to focus first on consumer education and then on compliance needs.

Also on our agenda is ensuring that financial institutions adhere to clear communications principles. We'll be conducting an industry-wide review of financial institutions' internal procedures for developing information materials and disclosure documents. The aim is to assess the extent to which institutions have implemented the key principles of clear and simple language.

ANY CLOSING WORDS?

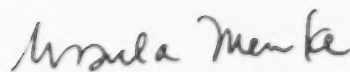
In the popular book *I ♥ Money*, Canadian author David Campbell Lester argues that people can improve their financial well-being by developing a personal, positive relationship with their money. There are many ways to do that. In my view, education is a powerful tool, and that's exactly our *raison d'être* at FCAC. I invite Canadians to make use of our free learning tools

and resources to strengthen their relationship with money.

In 2011-12, the Agency celebrates an important milestone: 10 years of operation. During our first decade, FCAC established itself as a global leader in the education and protection of financial consumers. We will strengthen that legacy in years to come.

I am extremely proud of my entire team. To them, I say thank you for your dedication and hard work. Our accomplishments are not the result of any single initiative or group within FCAC, but rather the collective efforts of all.

I also want to acknowledge our many external partners and relationships, which provide the needed reach and support for FCAC initiatives at the grassroots level. Together we are building a more financially literate Canada and contributing to a strong, healthy financial marketplace.



Ursula Menke
Commissioner



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WOR

AT A GLANCE 2010–11 HIGHLIGHTS



I + I

BUYING
THREE
MORTGAGES

WHO WE ARE

Canadian financial consumers are the driving force behind everything we do at FCAC. Since the Agency was created in 2001, we have ensured that their rights are respected and have helped build their financial knowledge.

OUR ROLE AND MANDATE

We are an independent federal government body with a mandate to:

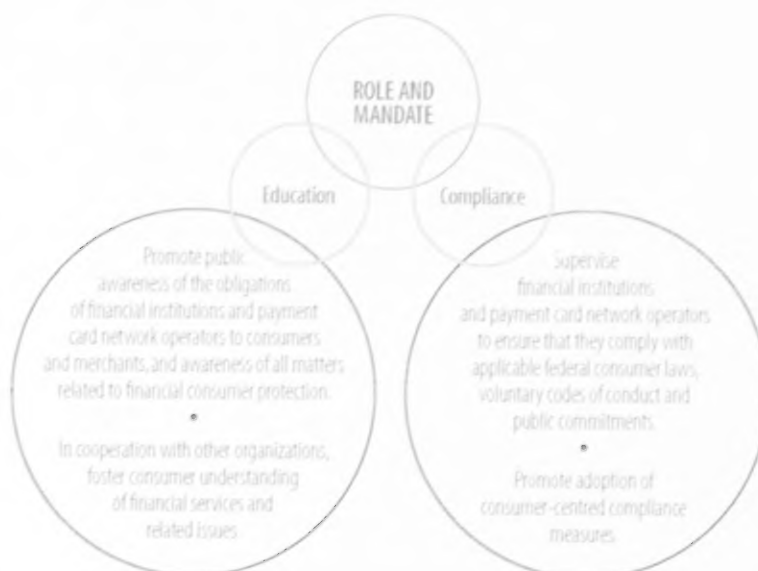
- **expand consumer education and financial literacy** so that Canadians have the information and skills they need to make informed financial decisions and actively participate in the financial marketplace; and
- **oversee consumer protection measures** in the federally regulated financial sector.

In 2010–11, the federal government expanded our mandate by giving FCAC new responsibilities:

- **Undertaking research** on emerging trends and issues that might affect financial consumers. This led to the creation of a dedicated research function at FCAC to support our core consumer education and consumer protection programs.
- **Supervising payment card network operators** in addition to the entities already under FCAC

oversight—that is, all banks and all federally regulated insurance, trust and loan companies, as well as retail associations.

Helping Canadians become better financial decision makers, while ensuring that their rights and interests are respected by the financial institutions with which they do business.



FAST FACTS ABOUT FCAC*

Employees	59
Headquarters	OTTAWA
Date established	2001
Free resources available to Canadians	58
Entities regulated	377

* as of March 31, 2011

OUR ORGANIZATIONAL STRUCTURE

The **Executive Branch** includes the Commissioner, the Deputy Commissioner and support staff. It sets FCAC's strategy and priorities, provides leadership and direction, and determines compliance enforcement measures.

The **Legal Services Unit** consists of one senior counsel from the Department of Justice Canada, who provides legal research, advice and support.

The **Compliance and Enforcement Branch** is responsible for the Agency's compliance activities. These include monitoring and investigating compliance issues, undertaking annual and on-site examinations, performing industry reviews of specific compliance issues, and reporting on compliance matters to the Commissioner. In addition, the branch assists financial entities in their efforts to correct

contraventions, and encourages them to develop policies and procedures to implement the consumer provisions, voluntary codes of conduct and public commitments that apply to them.

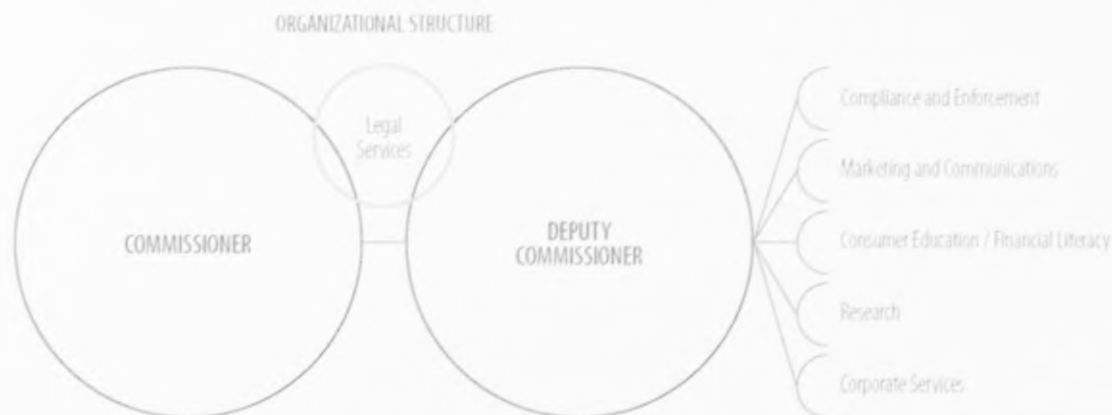
The **Marketing and Communications Branch** manages FCAC's outreach programs and public communications channels, including a consumer contact centre, a website and a correspondence unit. The branch manages the Agency's communications with the media, handles the design of publications and fosters an open exchange of information with the financial industry on issues of mutual concern.

The **Consumer Education and Financial Literacy Branch** develops educational materials and tools to help Canadians understand financial matters, and also to help them shop around for products and services that best suit their needs. The branch is responsible for

developing educational programs that teach young Canadians how to enhance their financial skills.

The **Research Branch** was established in 2010-11. It proactively identifies, monitors and evaluates trends and emerging issues that might have an impact on financial consumers. The branch recommends action by FCAC and/or policy makers, as appropriate, to educate consumers, protect their rights and inform them about their responsibilities.

The **Corporate Services Branch** supports the Agency's activities by providing services and expertise in various areas, including corporate planning, financial management, risk management, security, information management and information technology (IM/IT), and program evaluation.



HUMAN RESOURCES (full-time equivalents)

FISCAL YEAR	PLANNED	ACTUAL
2010–11	59.6	59.7
2009–10	53.0	53.0
2008–09	45.0	45.0

FINANCIAL RESOURCES (\$ millions)

FISCAL YEAR	PLANNED	ACTUAL
2010–11	12.12	11.66
2009–10	11.10	11.08
2008–09	10.77	9.57

Originally, FCAC planned 54 full-time equivalents (FTEs) and \$11.8 million in financial resources for fiscal year 2010–11. With the recent expansion of our mandate, the number of planned FTEs for 2010–11 was increased to 59.6; for that reason and also to cover unforeseen parental

leave expenditures, the planned financial resources were revised to \$12.12 million.

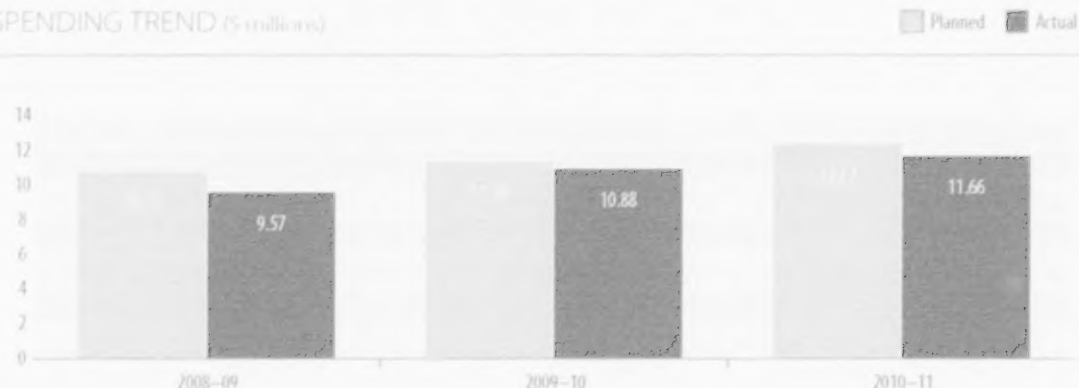
SPENDING TREND

This graph below compares actual and planned spending over the past three fiscal years. It includes funding of \$2 million for FCAC's Financial

Literacy program. In its February 2008 budget, the Government of Canada provided for the Agency to receive ongoing funding in that amount per fiscal year as continuous support for the program.

Overall expenditures were higher in 2009–10 than in 2008–09, mainly because of an increase in human resources and professional costs. In 2009–10, the increase in human resources costs included new positions, the filling of vacancies, and planned growth in employee compensation and performance-related pay (available to employees at all levels within the organization). The increase in professional costs was due mainly to additional marketing and communications activities undertaken in support of the Agency's goals and to the higher cost of services provided under memorandums of understanding with other federal organizations. The professional costs include the costs of the Agency's conversion to the International Financial Reporting Standards and higher human resources costs.

SPENDING TREND (\$ millions)



With respect to the increase in expenditures in 2010–11 compared to fiscal year 2009–10, it was mainly due to three key factors:

- Human resources costs were higher in 2010–11 than in the previous year. This rise was driven by normal economic increase and merit increases in employee compensation, the addition of new employees in 2010–11, and

the full-year impact of new hires from 2009–10.

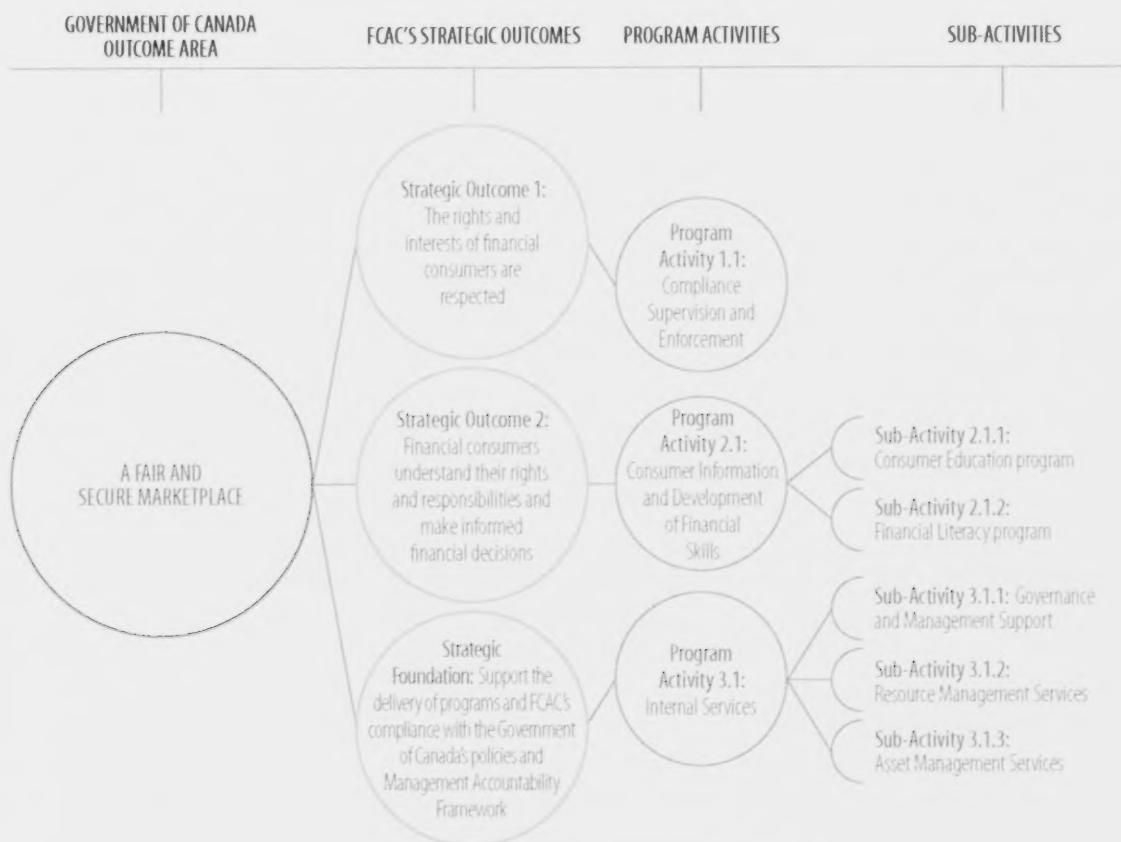
- Information technology costs increased due to contracting of resources for two key initiatives: Web renewal and the Information Technology Strategic Direction and Implementation Roadmap.
- Facilities costs increased, largely due to leasing of additional space on a temporary basis to accommodate a larger staff complement.

These increases in expenditures related to the three factors mentioned above were partly offset by a reduction in the use of professional services, primarily because in 2009–10 there was a larger number of marketing and communications activities and campaigns undertaken than in 2010–11.

For further information on FCAC's expenditures in 2010–11, please see the Financial Statements on page 38.

PROGRAM ACTIVITY ARCHITECTURE

The diagram below illustrates FCAC's framework of program activities and sub-activities. This structure allows us to effectively pursue our mandate and strategic outcomes, while contributing to the Government of Canada's objective of fostering a fair and secure marketplace.



1:50 PM

Financial Consumer Agency of Canada
Agence de la consommation
financière du Canada

Financial Consumer Agency of Canada

www.fca-afc.gc.ca

Contact Us Help

HIGHLIGHTS

Industry Partners

Why not clean up your budget

Why not clean up your budget

Why not clean up your budget

Why not clean up your budget

Why not clean up your budget

Why not clean up your budget

Why not clean up your budget

Why not clean up your budget

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Why not clean up your budget

TOOLS AND CALCULATORS



- Mortgage Calculator
- Credit Cards
- Tools
- Budget Calculator
- Banking Tools

OUR PROGRAMS



COMPLIANCE SUPERVISION AND ENFORCEMENT

Ensuring the rights and interests of financial consumers are respected

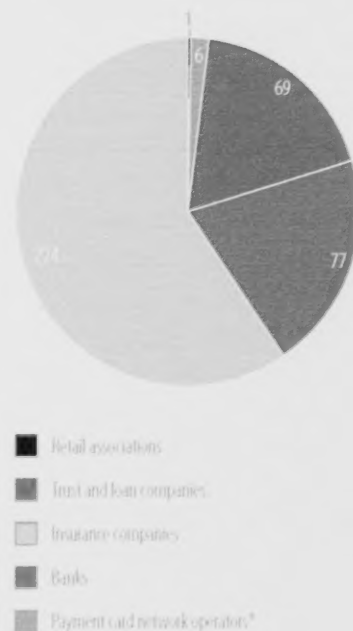
To help protect consumers of financial products and services, the federal government has enacted a number of laws and regulations. These ensure that regulated financial entities provide the information needed by consumers to make sound financial decisions, and that the entities meet a high standard in business practices that affect their customers.

One of FCAC's key responsibilities is to monitor and enforce compliance with the laws and regulations, and we meet this responsibility through our Compliance Supervision and

Enforcement program. Program activities include:

- monitoring and investigating compliance issues at an industry-wide level as well as the level of individual financial entities;
- undertaking annual and on-site examinations;
- engaging with financial entities to promote greater compliance in the marketplace, and encouraging them to develop effective internal policies and practices and to implement consumer-centred compliance measures;
- monitoring the codes of conduct and voluntary public commitments to which financial entities have agreed to adhere; and
- engaging with other regulators within the Canadian financial services sector on key compliance matters and providing input to the federal government on regulatory initiatives that affect financial consumers.

FCAC SUPERVISED
377 FEDERALLY
REGULATED ENTITIES AS
OF MARCH 31, 2011:



* Includes entities regulated by the FCAC as of March 31, 2011.

PERFORMANCE

As a regulator, FCAC uses a risk-based approach to supervise the conduct of financial entities, working with them to identify and resolve compliance issues. During 2010–11, we investigated 860 cases for potential compliance violations, up from 821 the previous fiscal year. We also carried out a record 77 compliance measures to address situations of non-compliance. These measures included on-site examinations, compliance agreements and action plans. In most cases, institutions took the steps needed to achieve compliance. FCAC also undertook a number of enforcement actions amounting to 36 findings of violation, which resulted in \$175,000 in penalties being received and processed during fiscal year 2010–11.

In carrying out our Compliance Supervision and Enforcement mandate, we hold ourselves to high standards of service and efficiency. FCAC succeeded in meeting these standards in 2010–11. For results, please see the performance summary on page 24.

MAJOR INITIATIVES

- **Launch of Risk Assessment Model.** We launched our new Risk Assessment Model (RAM), designed to help FCAC better assess financial institutions' compliance risks. This internal tool allows us to evaluate the comparable risk for each institution relative to all other financial

COMPLIANCE SUMMARY, 2010–11

Compliance cases opened	641
Cases investigated for potential compliance violations ¹	860
Violations noted	36
Compliance agreements entered into with regulated entities ²	12
Action plans accepted from regulated entities ³	19
On-site examinations to review compliance concerns at regulated entities	4

¹ Investigations were initiated under the law, regulations, formally entered into compliance agreements.

² A compliance agreement is a regulated compliance tool of a formal agreement between the compliance officer of the Agency and a service institution of a regulated institution setting out details of compliance issues, and the institution must undertake to comply with the agreement. Compliance agreements are entered into with a regulated institution's compliance officer. A compliance agreement is entered into with a regulated institution's compliance officer.

³ FCAC, its associate, and Enforcement Director may require a regulated institution receiving an action plan that provides information on the nature of non-compliance and the measures that the institution plans to undertake to correct the issue, and prevent its recurrence.

COMPLIANCE CASES, 2010–11

TOP ISSUES	CASES OPENED
Mortgage penalties	58
Cost of borrowing related to credit cards	52
Complaints regarding credit card debt collection	36

institutions as well as to subsets, or "peer groups," of firms engaged in comparable activities. Key work last year included finalizing and testing the technical programming of the model, training staff, collecting data from financial institutions, and initiating the first run of RAM reports. The results will help us refine and enhance the model.

- **Integration of new supervisory responsibilities.** The federal government passed important legislation that gave FCAC two new oversight responsibilities:

- for the *Payment Card Network Act*, which governs payment card network operators (PCNOs) such as Visa, MasterCard, Interac, American Express, The Exchange and Discover; and
- for the Code of Conduct for the Credit and Debit Card Industry in Canada (CDC Code), which sets out principles to be followed by PCNOs and members of their networks in delivering payment card services to merchants in Canada.

FCAC worked to integrate these additional functions into our supervisory systems and processes. We also informed PCNOs and their members about FCAC's role, the impact of the regulatory changes and their new responsibilities, and we worked with them to implement all the elements set out in the CDC Code.

- **Proactive compliance.** One of our ongoing priorities is to ensure compliance with recent consumer protection requirements set out in the *Cost of Borrowing Regulations* and the *Credit Business Practices Regulations*. We undertook supervisory activities to confirm the compliance responses provided by financial entities during our initial assessment process, and to address any identified compliance deficiencies.
- **Refinement of Compliance Framework.** In an effort to deliver a strong, consistent and effective compliance program, we continued to refine and modernize FCAC's Compliance Framework. Last year, we evaluated our compliance processes to identify areas for improvement. We documented and communicated the procedures that we are required to follow to ensure that they are understood by both employees and external stakeholders, and we strengthened our communications with financial entities.

BENEFITS TO CANADIANS
In 2010–11, FCAC's Compliance Supervision and Enforcement program produced the following benefits:

- Through our case management process and ongoing improvements to it, we helped ensure that consumer complaints and key systemic compliance issues were identified and addressed by the relevant financial entities.
- Using our array of compliance tools (compliance agreements, action plans, etc.), we were successful in triggering positive behavioural changes at a number of financial entities, as well as an overall improvement in their compliance with applicable legislation and regulations.
- With implementation of a risk-based approach to supervision, we have become more targeted, proactive and timely in dealing with possible compliance matters.
- We took a proactive approach to educating financial entities about new regulatory requirements, such as the *Cost of Borrowing Regulations* and the *Payment Card Network Act*. The approach helped to minimize non-compliance and to limit any negative impact on financial consumers.
- With a robust and responsive regulatory framework in place, we were able to protect financial consumers and foster competition in the marketplace.

CONSUMER INFORMATION & DEVELOPMENT OF FINANCIAL SKILLS

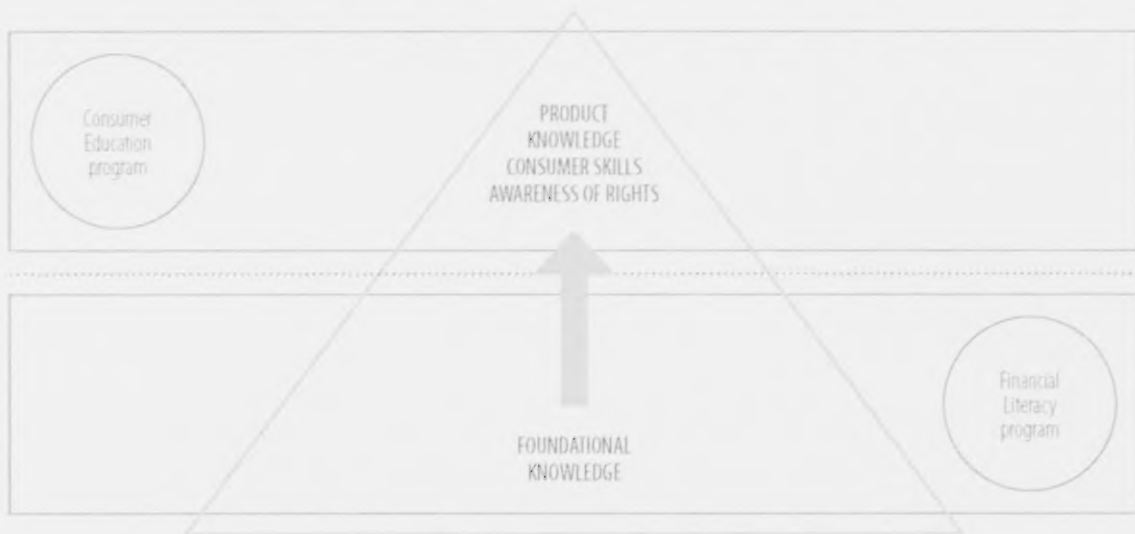
Ensuring financial consumers understand their rights and responsibilities and make informed decisions

FCAC's Consumer Information and Development of Financial Skills program focuses on increasing the financial abilities of Canadians. Two sub-activities work together to meet this broad goal:

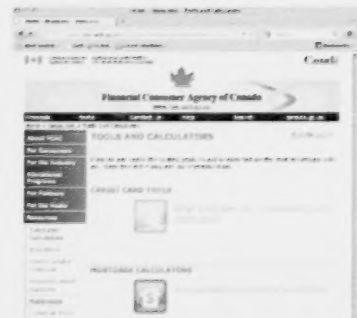
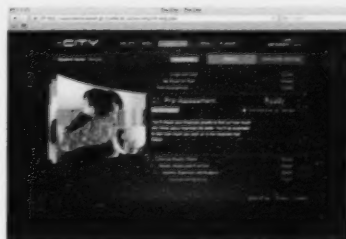
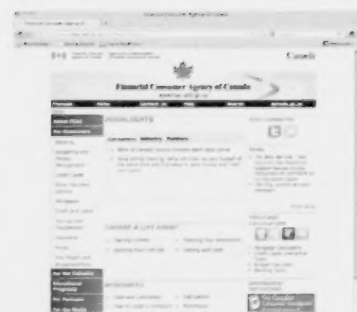
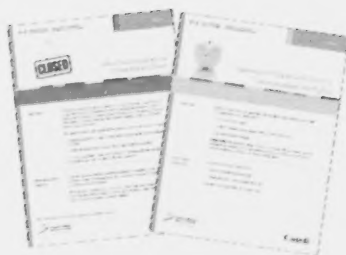
- Our **Consumer Education** program helps Canadians better understand specific financial products and services, such as mortgages and credit cards. It also helps familiarize them with the rights and responsibilities of consumers in their dealings with financial institutions, and with the obligations of payment card network operators.
- Our **Financial Literacy** program helps Canadians build their basic or foundational knowledge, skills and confidence in money management so that they can make sound decisions about such things as spending, saving and investing.

Through both, we offer free educational resources and tools designed to provide timely and objective financial information that enables Canadians to actively and confidently participate in the financial marketplace.

CONSUMER INFORMATION AND DEVELOPMENT OF FINANCIAL SKILLS



EXAMPLES OF FCAC RESOURCES FOR CANADIANS



CONSUMER EDUCATION

Through FCAC's Consumer Education program, we offer Canadians objective information about commonly used financial products and services, and increase consumers' awareness of their rights and responsibilities in the financial marketplace.

To reach as many Canadians as possible, we:

- develop and distribute information resources in a variety of formats (print, electronic, Web);
- collaborate with public, private and not-for-profit organizations across the country to target specific groups, particularly more vulnerable consumers such as those with lower literacy levels and/or lower incomes;
- build solid relationships with the media, which help us share financial information quickly and cost-effectively; and
- maintain a Consumer Contact Centre and a Correspondence Unit to assist Canadians who have questions or concerns about financial products, services and issues.

FCAC offers more than 58 educational resources to help Canadians learn about the financial products and services that matter to them.

PERFORMANCE

In 2010–11, our Consumer Education program continued to have a positive impact as more and more Canadians accessed information provided by FCAC. Public opinion research showed that overall consumer satisfaction with FCAC's publications and interactive tools remained strong, exceeding our target of 3.5 on a 5-point scale. Ratings for our interactive online tools were particularly high, ranging from 4.1 to 4.8 out of 5. In the case of our new budget tool, the average consumer rating for clarity and ease of understanding was 4.8 out of 5. The research also confirmed that Canadians find FCAC's publications and interactive tools to be clear and understandable.

For more details, please see the performance summary on page 25.

MAJOR INITIATIVES

• Updates to consumer resources.

We reviewed most of our consumer education resources and made revisions as necessary to ensure that they met FCAC's new clear language and presentation principles. We also revised our website and several publications to reflect the credit card and loan regulations that came into force on September 1, 2010. New resources launched last year included a tip sheet on prepaid cards, a primer about insurance and an interactive budget tool.

• **Home buyers campaign.** We launched a public awareness campaign to target first-time home buyers and young families renewing mortgages. The initiative consisted of helpful mortgage information and interactive tools, as well as targeted Internet advertising and ads in public transit in Toronto, Vancouver and Ottawa. (Our research identified the three cities as having the highest appetite for this information.)

• **Web renewal strategy.** The Internet is a key distribution channel for FCAC. Our Consumer Education team helped to design FCAC's website, making it more powerful, interactive, accessible and navigation-friendly. The revamped site organizes information according to key life events. With this format, it is easier and faster for users to find what they need to know to make informed financial decisions.

• **External Stakeholder Advisory Committee.** To obtain timely information on financial consumer trends and issues, we set up an External Stakeholder Advisory Committee. The members are consumer organization representatives, financial sector experts, analysts, academics and financial journalists.

• **Community outreach.** We researched and actively pursued outreach opportunities to promote the Agency and its

financial education resources. FCAC representatives participated in eight speaking engagements and five consumer shows, and delivered 26 presentations to current and potential partners in the voluntary sector. We also exhibited at seven mortgage industry trade shows, allowing us to highlight FCAC as a leading source of reliable and unbiased mortgage information.

- **Google AdWords campaign.** The objective of this campaign was to increase Canadians' awareness of FCAC and our resources relating to debt management and mortgages. The campaign ran for four months and successfully generated 20,500 unique visits to FCAC's website during that time.

BENEFITS TO CANADIANS

In 2010–11, FCAC's Consumer Education program produced the following benefits:

- Canadians from all walks of life were able to access free information on diverse financial topics through several channels.
- More Canadians learned about their rights and responsibilities, and became better equipped to make informed financial decisions.
- FCAC helped foster a more transparent, fair and secure financial services marketplace for Canadians.

FINANCIAL LITERACY

A main priority for FCAC is improving Canadians' financial literacy—the knowledge, skills and confidence they need to make responsible financial decisions. To realize this ambitious goal, we have created a multi-faceted financial literacy strategy, supported by federal government funding.

In 2008, FCAC launched two programs targeting youth. The first is *The City: A Financial Life Skills Resource*. Developed in partnership with the British Columbia Securities Commission, this is an innovative curriculum for high school students and teachers. The second is *Financial Basics*, a financial workshop for youth aged 19 to 29. FCAC developed this together with George Brown College in Toronto, the Investor Education Fund of Ontario, and financial author and journalist Ellen Roseman. To support FCAC's youth-oriented financial literacy initiatives, we designed a new Web portal for youth called *The Money Belt* (themoneybelt.gc.ca), also launched in 2008.

Building on this foundation, we expanded our Financial Literacy program in 2010–11 to reach adult Canadians and young people with specific needs.

PERFORMANCE

As a result of strong partnerships, focused awareness campaigns and innovative distribution channels, our Financial Literacy program made significant headway during

Our partners help us spread the word

Media partners play a valuable role in helping FCAC deliver financial information quickly and cost-effectively to Canadians in all regions of the country. We share our information through feature stories, byline articles, news releases, letters to the editor and interviews.

In 2010–11, our outreach to the staff of newspapers and television/radio stations generated 1,064 media mentions, an increase of 39 percent over the previous year. We also began developing a strategy for using social media to help spread FCAC news and money tips; this will be launched in 2011–12.

FCAC team wins award

In June 2010, the President of the Treasury Board of Canada presented to FCAC's Financial Literacy team a Public Service Award of Excellence in Citizen Focused Service Delivery. The team was honoured for its creation of *The City*, a simulated online world that offers an interactive, engaging and enjoyable way for students to learn about money. Fictional characters living in *The City* help show Canadian youth how to deal with real life financial situations. Students and teachers in all provinces and territories are using *The City*.

The Public Service Award of Excellence is a non-monetary honour presented annually during National Public Service Week. Presentations are made in 10 categories to recognize some of the many public servants who have demonstrated excellence, professionalism and leadership in serving Canadians.

2010–11. For instance, schools in all provinces and territories used *The City*, and students and teachers alike embraced and commended it. For more details, please see the performance summary on page 26.

MAJOR INITIATIVES

- **The City.** FCAC was busy on many fronts to support and promote *The City*. Our Financial Literacy team continued to assist teachers who wanted to bring the resource into the classroom, offering them free training via Web-based seminars ("webinars"), face-to-face sessions or a self-directed video seminar.

FCAC also launched an advertising campaign to increase awareness and use of *The City* within the teaching community. The campaign included two national contests—one for teachers, with the prize of an interactive electronic whiteboard; and one for students, with three laptop computers as prizes. Contestants had to correctly answer a follow-up quiz based on *The City*.

In New Brunswick, FCAC worked with Partners For Youth, a not-for-profit community organization, on a peer-to-peer training pilot project. Students learned to use *The City* and then trained others their age.

Finally, FCAC completed its pilot train-the-trainer program for community-based organizations.

In partnership with Social and Enterprise Development Innovations, we delivered the program to 77 community-based organizations across Canada. They in turn delivered the program to their own target audiences.

- **YourMoney.** FCAC developed *YourMoney* in partnership with the Canadian Bankers Association. This financial literacy program for young people includes Web-based resources and a free, non-commercial, in-class seminar. *YourMoney* was created to bring financial literacy to life in homes and classrooms. Students learn about how to use money wisely to reach their goals. Teachers can register online for a seminar, which is presented by a volunteer from a local financial institution. The seminar complements *The City* modules because the presenter can give an inside perspective on the financial issues covered in FCAC's educational resource. Parents can access resources to help them teach financial literacy at home. In the past year, 220 seminars were held in classrooms across Canada, attended by 6,612 students.

- **Financial Basics.** Following the success of the original 2008 pilot project, FCAC updated the content of the *Financial Basics* workshop together with the Investor Education Fund of Ontario and author-journalist Ellen Roseman. The revised materials for facilitators and

participants were then made available for order online in 2010–11. *Financial Basics* is a five-hour, hands-on workshop designed for young adults aged 19 to 29. Participants learn how to make a budget, manage expenses, understand credit and debt management, protect themselves from fraud, and save for the future.

From September 2010 to March 2011, we received over 700 requests for materials and sent out more than 17,000 workbooks. Since 2008, over 1,100 individuals have participated in the workshop at George Brown College and Ryerson University in Toronto. More recently, FCAC teamed up with the Association of Canadian Community Colleges to bring the workshop to postsecondary students at 10 colleges. We expect more institutions to offer the workshop during the 2011–12 school year. The results of the partnership with the Association have been very positive:

- 9 out of 10 colleges said they would try to host another workshop in the near future.
- The most useful topics, according to participants, were budgeting, credit and debt management, and savings and investing.
- 94 percent of participants said the workshop met their expectations.
- 87 percent of participants said they would recommend the workshop to others.

- **MoneyApps.** FCAC and the Investor Education Fund of Ontario partnered with the Toronto District School Board to tailor *Financial Basics* into a 90-minute workshop for Grade 12 students. Called *MoneyApps*, the interactive presentation provided valuable tips, strategies, resources and tools to help graduating students develop good money habits and refresh their money management skills. The knowledge will help the students to navigate the many financial choices and decisions facing them when they enter the workforce, attend a postsecondary institution, or join a training or apprenticeship program. Students, teachers and Toronto District School Board representatives took part in the *MoneyApps* pilot sessions, held at Seneca College and the University of Toronto in April 2011. The response was very positive, and interest has been expressed in expanding the program and making it more widely available.

- **Your Financial Toolkit.** In collaboration with Quebec's Autorité des marchés financiers and the Investor Education Fund of Ontario, FCAC began working on a comprehensive financial education resource aimed at increasing the financial life skills of adult Canadians. We formed a committee of subject-matter experts to provide input for the content development process.

The resource will be available in print and Web format for use in community-based organizations and the workplace; self-learners can access it online. The target launch date is spring 2012.

- **Financial Literacy Newsletter.** FCAC continued to publish its *Financial Literacy Newsletter* twice-yearly. We post the newsletter on our website and send it electronically to approximately 1,200 subscribers. The newsletter showcases financial literacy success stories and best practices in the public, private and not-for-profit sectors in Canada and internationally.

BENEFITS TO CANADIANS

Over the past fiscal year, the activities and initiatives of our Financial Literacy program produced the following benefits:

- Teachers and facilitators within high schools, postsecondary institutions and community-based organizations across Canada were able to access free, bilingual, easy-to-use resources that they could incorporate into their curricula and use with students and members of their communities.
- Students and youth throughout the country were able to access free, easy-to-understand learning resources on money management and financial issues.
- FCAC empowers Canadians by helping them develop the knowledge, skills and confidence to make sound financial decisions.

Feedback on *The City*

"Excellent resource."

"Loved the 'scenarios' of the different characters. The role play is captivating."

"Such PRACTICAL stuff—all high school kids should get this resource."

"Incredible value for many curricular areas and programs."

Feedback on *The City* webinars for teachers

"The conference made me very excited to implement this program in a classroom. Hearing experiences from people who have done so before really helped."

"So many good ideas and hands-on learning activities that my students would love."

"I have always wanted to do more of this stuff in my classroom, and now it's all right here, complete with overheads and handouts!"

"Really boosted my confidence and interest in delivering this program."

Feedback on *Financial Basics*

"Great seminar."

"I left the room inspired to begin fixing my situation. The instructors were knowledgeable and encouraging."

"Very informative. A great idea for anyone with a lack of knowledge in finances."

"Wow, what a workshop. Thanks for putting this on, especially free of charge."

Partnerships and collaboration: A formula for success

Organizations and individuals across the country are working to increase Canadians' financial abilities. FCAC has joined forces with many of them to advance this shared objective.

Since the inception of the Agency in 2001, we have teamed up with securities commissions, educators, community groups, industry associations and financial journalists to teach as many Canadians as possible. Partnerships and collaboration are our formula for success, and have long guided our work. They have allowed us to develop and promote innovative financial education initiatives, to optimize our resources and produce results on a much larger scale, and to share and pool our expertise to become even more effective.

Here are a few of our partners from 2010–11.

Federal organizations

- Bank of Canada
- Canada Deposit Insurance Corporation
- Canada Revenue Agency
- Citizenship and Immigration Canada
- Canadian International Development Agency
- Department of Finance Canada
- Human Resources and Skills Development Canada
- Indian and Northern Affairs Canada
- Office of Consumer Affairs, Industry Canada
- Office of the Superintendent of Bankruptcy Canada
- Office of the Superintendent of Financial Institutions Canada
- Public Works and Government Services Canada
- Statistics Canada
- Status of Women Canada

Joint Forum of Financial Market Regulators (insurance, pension, securities)

Provincial organizations

- Investor Education Fund of Ontario
- Ministry of Children and Youth Services, Ontario
- ministries of education
- securities administrators
- securities commissions

Non-governmental organizations

- Fédération des associations coopératives d'économie familiale (ACEF) du Québec
- Option consommateurs, Québec
- Partners For Youth, New Brunswick
- Réseau des carrefours jeunesse-emploi du Québec
- St. Christopher House, Ontario
- Social and Enterprise Development Innovations
- Union des consommateurs, Québec

Private sector

- Canadian Bankers Association
- Curriculum Services Canada
- financial journalists

Colleges and universities

- Fanshawe College, Ontario
- George Brown College, Ontario
- New Brunswick Community College
- Ryerson University, Ontario
- Seneca College, Ontario
- University of Toronto, Ontario

International organizations

- FinCoNet (international network of national financial consumer protection bodies)
- International Network on Financial Education, Organization for Economic Cooperation and Development

INTERNAL SERVICES

Ensuring FCAC and its programs operate effectively and efficiently

Internal Services consists of FCAC's corporate services groups, which support the effective and efficient administration and delivery of our programs.

Internal Services ensures that FCAC adopts and applies best practices to manage its programs and human resources, and that it implements the appropriate policies, procedures and reporting structure.

PERFORMANCE

During 2010–11, we made significant progress in implementing our action plan to strengthen the Agency's management and administration in three key areas. In a 2008–09 Management Accountability Framework self-assessment, these had been identified as offering opportunities for improvement. Progress in these areas during the past fiscal year included the following:

- **Corporate performance framework.** We updated our robust Management, Resources and Results Structure to ensure that the Agency's strategic outcomes and key performance indicators remained pertinent given FCAC's expanded mandate. We also reviewed and updated, as appropriate, several performance indicators and key

outputs associated with the Agency's programs.

- **Program evaluation.** We continued modifying our case management system and other tools to capture and analyze critical data that will be used for program evaluation—particularly the formative evaluation of the Financial Literacy program planned for 2011–12.
- **IT governance structure.** We completed an assessment of the Agency's information technology infrastructure, drafted service standards for all IT services and finalized a process for managing IT incidents.

For more details, please see the performance summary on page 27.

MAJOR INITIATIVES

- **International Financial Reporting Standards (IFRS).** In 2008, we initiated a multi-year transition to the use of International Financial Reporting Standards. As part of the process, FCAC established a formal project governance structure. In 2010–11, we completed the implementation phase; this involved conducting testing and remediation, and ensuring that our financial systems and processes were able to capture and report IFRS information.
- **IM/IT strategic direction and governance review.** We documented and examined our current information management and information technology systems. The aim was

to identify ways of improving key processes and workflows so as to better support the Agency's strategic priorities.

- **Orientation program for new employees.** We introduced a comprehensive employee orientation program, personalized by category of position (manager, non-supervisory employee, student or casual worker). To date, the response to the program has been very positive.
- **Accommodations.** To support its expanded mandate, FCAC began preparations for relocating to a larger office space. We worked with other federal departments and consultants to identify optimal design, spacing and leasing requirements, and to draft architectural drawings.

BENEFITS TO CANADIANS

In 2010–11, Internal Services contributed to FCAC's progress toward all of its strategic outcomes, priorities and activities by enabling the Agency's programs to operate more effectively and efficiently.

Internal Services functions:

corporate planning and reporting / performance measurement and evaluation / risk management / audit services / financial management / human resources management / data management / information technology / security and privacy / facilities management / procurement

THE NUMBERS

GENERAL CONSUMER COMPLAINTS NOT RELATED TO COMPLIANCE (excludes general inquiries and compliance cases)

NATURE OF COMPLAINTS	NUMBER OF COMPLAINTS
Credit	751
Credit cards	977
Deposit accounts	179
FCAC	13
Financial institutions or other companies	414
Financial literacy	1
Insurance	273
Investments	273
Lines of credit	15
Loans	173
Mortgages	374
Payday loans	21
Publications	3
Referrals to other departments or organizations	794
Miscellaneous	47
TOTAL	4,405

COMPLIANCE-RELATED CONSUMER AND MERCHANT COMPLAINTS (excludes complaints reported by federally regulated financial institutions and compliance issues first raised by FCAC)

NATURE OF COMPLAINTS	NUMBER OF COMPLAINTS
Consumer provisions	5
Branch closures	9
Cheques	1
Coercive tied selling	11
Complaint handling procedures	1
Compliance of affiliate	66
Cost of borrowing—credit cards	0
Cost of borrowing—general	9
Cost of borrowing—lines of credit	3
Cost of borrowing—loans	

COMPLIANCE-RELATED CONSUMER AND MERCHANT COMPLAINTS (continued)

Cost of borrowing — mortgages	29
Credit business practices	11
Deposit accounts	19
Disclosure of charges for services	0
Disclosure of interest rates	1
Failure to inform how to reach FCAC	0
Index-linked deposit accounts	0
Principal protected notes	0
Public Accountability Statements	1
Codes of conduct	
Authorized insurance activities	11
Credit and debit card code	12
Debit card code	10
Protection for e-commerce	0
Small Business Banking Code	2
Public commitments	
Accessibility of complaint handling process	1
Agreement to offer low-cost accounts	0
Credit cards — general	0
Guidelines for the transfer of registered plans	5
Hold period on cheques	0
Interac	0
Mortgage plain language	0
Online security	1
Undertaking on unsolicited services	1
Visa E-promise	1
Zero liability — credit cards	12
Zero liability — prepaid cards	0
General	0
TOTAL	222

INTERNAL AUDIT ACTIVITIES

NAME	TYPE	STATUS	ACTUAL COMPLETION DATE
Review of correspondence services	Program activity	Completed	Review was completed in March 2011. Implementation of action plan is in progress.

PERFORMANCE SUMMARY

This section tracks FCAC's performance against the expected results and targets we established in our *2009–2011 Business Plan*. The following "performance scorecards" summarize last year's results, giving a clear, concise picture of how successful we were.

COMPLIANCE SUPERVISION AND ENFORCEMENT

FINANCIAL RESOURCES (\$ MILLIONS)		HUMAN RESOURCES (FULL-TIME EQUIVALENTS)		
Planned spending	Actual spending	Planned		Actual
3.11	3.04	20		20
Expected results	Performance indicators	Targets	Performance status	Performance summary
FCAC has an appropriate risk based compliance model in place that allows it to identify compliance risk levels among federally regulated financial institutions.	Capacity to report more integrated findings/ conclusions about federally regulated financial institutions' levels of compliance with the federal consumer provisions	FCAC will develop and fully implement the five components of its modernized Compliance Framework by March 31, 2011. These components are: • expanded information gathering • a risk assessment model • a research and investigation protocol • ladders of compliance • enhanced compliance reporting.	Met all	Completed technical work to develop and implement the FCAC Risk Assessment Model (RAM). Finalized RAM data collection tool (RAM Questionnaire) and successfully collected the required data from regulated entities. Improved Annual Examination Questionnaire for federally regulated insurance companies, and carried out information collection and analysis. Documented all procedures related to FCAC's modernized Compliance Framework, including those managing follow-up actions stemming from compliance assessment initiatives. Created clearer information to better explain our ladders of compliance. Initiated work on an improved online compliance tool, designed to enhance usability as well as transparency in our processes. Launched a project to improve the "For the Industry" section of FCAC's website, with the goal of enhancing our reporting capabilities and making the section more user-friendly and accessible. Modified supervisory procedures, processes and systems to integrate new oversight responsibilities for payment card network operators.
FCAC implements appropriate compliance measures with federally regulated financial institutions to rectify compliance issues.	Percentage of compliance issues corrected	Compliance and enforcement actions lead to 100% correction of compliance issues identified in cases related to consumer provisions.	Met all	Investigated 860 cases for potential violations and carried out a record 77 measures to address situations of non-compliance. Completed all compliance actions scheduled to end within the fiscal year.

CONSUMER EDUCATION

FINANCIAL RESOURCES (\$ MILLIONS)		HUMAN RESOURCES (FULL-TIME EQUIVALENTS)		
Planned spending	Actual spending	Planned	Actual	
4.24	4.13	23.7	23.7	
Expected results	Performance indicators	Targets	Performance status	Performance summary
Canadians have access to impartial information on financial products and services.	Increase in the use of FCAC's materials and tools	By March 31, 2011, FCAC will complete the implementation of its Web Content Management Solution.	Somewhat met	Not completed because FCAC was unable to secure a suitable vendor through the Request for Proposals process. Revised target date of September 30, 2011.
		By March 31, 2011, FCAC will complete the implementation of its Web strategy, including enhancements to its website.	Mostly met	Completed website enhancements were slightly behind schedule as of mid-May 2011. The delay was for the same reason cited above.
		By March 31, 2011, there will be an increase of at least 10% from March 31, 2009, in - the number of visits to FCAC's websites - the number of FCAC publications printed and downloaded - the use of FCAC's Web based interactive tools.	Mostly met	Achieved 87% of the website visits commitment. [*] Achieved 87% of the commitment related to electronic publication downloads. [*] Consumer demand for print publications decreased last year but partner requests increased by 15%. Over 467,000 publications were requested through our partner channels. Achieved 87% of the commitment related to interactive tool use. [*]
Financial consumers find FCAC's materials and tools useful and relevant to their needs.	The use of clear language makes FCAC's materials and tools easy to understand.	By March 31, 2011, the Agency will apply clear language principles to FCAC's remaining publications and interactive tools.	Mostly met	Completed review/revision of 36 out of 41 publications (87.8%). In addition, public opinion research for 1 of the remaining 5 publications confirmed that the language is clear and easy to understand. As well, all interactive tools now meet clear language targets, with user feedback ratings on every tool exceeding 4.0 out of 5 on the criterion relating to clear language.
	The Agency maintains or increases its positive feedback from consumers.	Average satisfaction rating in relation to usefulness is at least 3.5 on a scale of 5 for FCAC's print and Web publications and interactive tools.	Exceeded	Scored 4.69 out of 5 for print publications. Scored 3.84 out of 5 for Web publications. Scored 4.05 out of 5 for interactive tools.

* Each target was set based on annualized data, using the only data available (covering six months) from the new Web metric software. Six months of data was not sufficient to balance any seasonal peaks from the annualized targets; and since the six months happened to fall within our busiest time of year for Web traffic, the targets were overestimated.

FINANCIAL LITERACY

FINANCIAL RESOURCES (\$ MILLIONS)		HUMAN RESOURCES (FULL-TIME EQUIVALENTS)		
Planned spending	Actual spending	Planned		Actual
2.00	1.80	4.5		4.5
Expected results	Performance indicators	Targets	Performance status	Performance summary
Financial literacy materials and tools are being accessed by the selected target audiences and the financial education providers that work with them.	Increase in the usage of FCAC's financial literacy education materials and tools: • <i>The City: A Financial Life Skills Resource</i> • <i>The Money Belt</i> (Web portal) • teacher training modules and workshops.	Increase of 50% in the number of students registered for <i>The City: A Financial Life Skills Resource</i> , compared to fiscal year 2009–10	Mostly met	Achieved 85% of our target, with 16,896 new students registered.
		Increase of 25% in the number of financial education providers that promote/teach <i>The City: A Financial Life Skills Resource</i> , compared to fiscal year 2009–10	Exceeded	Achieved 278% of our target, with 2,337 teachers registered.
		Increase of 10% in the number of visits to <i>The Money Belt</i> , compared to fiscal year 2009–10	Mostly met	Achieved 86% of our target, with 109,807 visitors to the website.*
Individuals from the selected target audiences and the financial education providers that work with them find FCAC's financial literacy materials and tools useful and relevant to their learning needs.	The use of clear language makes FCAC's financial literacy materials and tools easy to use and understand.	By March 31, 2011, the Agency will apply clear language principles to FCAC's new financial literacy materials and tools.	Met all	Clear language principles were incorporated in development of <i>Your Financial Toolkit</i> and <i>Financial Basics</i> workshop resources.
		Qualitative baselines will be established by March 31, 2011, to be followed by target setting. <i>The Money Belt</i> (Web portal) was launched on July 31, 2008. <i>The City: A Financial Life Skills Resource</i> was launched on September 4, 2008. The related teacher training modules and workshops were launched on September 10, 2008.	Somewhat met	Online feedback was not collected for <i>The City</i> since evaluation forms were not ready for posting. Revised evaluation forms will be posted online before the start of the 2011–12 school year. Online feedback was not collected for <i>The Money Belt</i> since the site was being integrated into FCAC's main site. A new online evaluation form will be developed and posted in 2011–12. 146 teachers underwent training via Web conference through Service Canada, 22 fewer than in 2009–10. Participation dropped partly because sessions were scheduled during teachers' busy season. Achieved excellent participant satisfaction ratings for Web conferences: • practicality of information provided: 81% strongly agreed • effectiveness of delivery: 92.5% strongly agreed • overall quality: 92.5% strongly agreed.

* See note to previous table.

INTERNAL SERVICES

FINANCIAL RESOURCES (\$ MILLIONS)		HUMAN RESOURCES (FULL-TIME EQUIVALENTS)		
Planned spending	Actual spending	Planned	Actual	
2.77	2.69	11.4	11.4	
Expected results	Performance indicators	Targets	Performance status	Performance summary
FCAC has in place good practices to manage and deliver its programs effectively and efficiently.	Independent assessment of the Management Accountability Framework elements related to FCAC.	For relevant items related to the Treasury Board's independent assessment of the Management Accountability Framework, FCAC is rated at least acceptable.	Not applicable	Since it is a micro-agency, FCAC was not part of Treasury Board's Management Accountability Framework assessment in 2010–11. Micro-agencies are only assessed over a three-year cycle.

FINANCIAL HIGHLIGHTS

The Financial Consumer Agency of Canada is a federal government agency that is funded mostly through industry assessments paid by federally regulated financial entities.

In its 2008 budget, the Government of Canada had proposed to contribute to the Agency up to \$2 million per year on an ongoing basis as of fiscal year 2008–09. FCAC is entitled to receive a parliamentary appropriation as authorized under section 13(3) of the *Financial Consumer Agency of Canada Act*. The funding is to support efforts to improve financial literacy in Canada.

Total expenses for fiscal year 2010–11 were \$11,662,332, representing an increase of about \$780,000 or 7.2 percent compared to fiscal year 2009–10. The following key points explain this increase:

Human resources costs were about \$984,000 higher in 2010–11 than in the previous year. This rise was driven by normal economic increase and merit increases in employee compensation, the addition of new employees in 2010–11, and the full-year impact of new hires from 2009–10.

Professional services expenses decreased by approximately \$455,000, primarily because in 2009–10 there was a larger number of marketing and communications activities and campaigns undertaken than in 2010–11.

Information technology costs increased by \$187,000 due to contracting of resources for two key initiatives: Web renewal, and the Information Technology Strategic Direction and Implementation Roadmap.

Facilities costs increased by about \$74,000, largely due to leasing of additional space on a temporary basis to accommodate a larger staff complement.

Travel costs decreased by approximately \$47,000, due to more targeted travel activities. This in turn allowed FCAC to be well below the Treasury Board travel cap.

Interest charges increased by approximately \$31,000 from 2009–10 because the lending rate in 2010–11 was approximately 1.2 percent higher. In addition, the Agency needed to borrow funds sooner in the year to fund operations expenditures.

From its inception, the Agency has been guided by the management principle that it should concentrate on delivering the programs called for in its legislation. We have therefore opted to use common and/or shared services to provide generic corporate services when it is cost-effective to do so. As a result, FCAC's cost structure may vary from that of other federal organizations. The expenses related to common and/or shared services are listed under Professional Services instead of Human Resources costs if the services were provided by internal staff.

Strategic management partnerships continue to give the Agency the flexibility needed to manage evolving programs as cost-effectively and efficiently as possible.

FUTURE ACCOUNTING CHANGES

Transition to International Financial Reporting Standards

In February 2008, the Canadian Institute of Chartered Accountants' (CICA) Canadian Accounting Standards Board confirmed that publicly accountable entities will be required to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or

after January 1, 2011. In December 2009, the Public Sector Accounting Board provided guidance to other government organizations, such as FCAC, to determine their most appropriate basis of accounting between IFRS and the *Public Sector Accounting Handbook*.

Some of the primary users of FCAC's annual report and the general-purpose financial statements contained therein are regulated financial entities—that is, the paying stakeholders—and their respective industry associations. These institutions will adopt IFRS effective 2011. FCAC has therefore decided to adopt IFRS so that it may continue to provide relevant, reliable, comparable and understandable financial information to its paying stakeholders.

As part of its transition to IFRS, FCAC has established a formal project governance structure, with oversight by a steering committee consisting of management from the areas of accounting and finance, information technology, and business operations. Regular updates on the status and progress of the IFRS conversion plan are also presented to FCAC's Executive Committee and its Audit Committee.

FCAC has chosen to approach the conversion in five phases:

- diagnostic assessment;
- design and planning;
- assessment, design and development;

- implementation; and
- post-implementation review.

During fiscal year 2010–2011, FCAC completed Phase 4.

FCAC continues to monitor the development of standards as issued by the International Accounting Standards Board and CICA's Accounting Standards Board, as well as the Public Sector Accounting Board.

While the final quantitative impact of converting to IFRS cannot be confirmed at this time, the following section provides a preliminary assessment of how the adoption of IFRS will affect FCAC's Balance Sheet as at April 1, 2010 (FCAC's date of transition to IFRS).

Impact of adoption of International Financial Reporting Standards

FCAC's transition to IFRS is expected to result in a net decrease of \$46,000 in its Equity of Canada. The key components of this amount and their respective impacts are as follows:

EMPLOYEE BENEFITS (FUTURE—SEVERANCE BENEFITS)

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits, and is actuarially determined as at March 31 of each year.

Actuarial gains or losses arise as a result of changes in the value of the accrued benefit obligation due to differences between expectations and actual experience, as well as because of changes in actuarial assumptions. Upon transition to IFRS on April 1, 2010, FCAC plans to immediately recognize in Comprehensive Income all actuarial gains or losses as they occur. The impact of this policy change is twofold:

- Recognition, as a part of opening Equity of Canada, of all unrecognized actuarial gains and losses as at April 1, 2010. It is expected that this change will reduce FCAC's Employee Future Benefits balance by approximately \$24,000.
- Thereafter, recognition into Comprehensive Income of actuarial gains or losses as they occur.

EMPLOYEE BENEFITS (OTHER—SICK LEAVE)

An FCAC employee earns sick leave credits at a rate of 1.25 days for each calendar month in which the employee receives pay for at least 75 hours. An employee's unused sick leave balance is carried forward until the employee departs from FCAC, at which point any unused balance cannot be redeemed for pay and FCAC's liability lapses. The plan is an accumulating, non-vesting benefit under IFRS. Accordingly, FCAC is required to record a liability for the portion

of the unused sick leave that it estimates, based on experience, will be used in the future. As at April 1, 2010, this liability was estimated to be \$70,000.

FINANCIAL INSTRUMENTS

Adoption of IFRS requires changes to the way FCAC calculates its provision for doubtful accounts. As at April 1, 2010, this new methodology was estimated to result in no change to FCAC's Allowance for Doubtful Accounts because of the minimal receivable balance at that date.

ESTIMATED IMPACT ON 2011–2012 OPERATING RESULTS

The above-noted changes to FCAC's accounting policies will affect FCAC's 2011–2012 operating results. However, the overall impact is not expected to be material.

Future changes to IFRS

International Financial Reporting Standard 1 requires that the accounting policies used by FCAC in the opening IFRS balance sheet be based upon IFRS, effective as at March 31, 2012. FCAC will monitor International Accounting Standards Board developments to ensure that the impacts of any potential

or actual changes to IFRS are appropriately considered in its changeover plan.

Training and communications requirements

FCAC has informed external stakeholders and key internal staff of the relevant modifications to the accounting and reporting of financial results ensuing from its transition to IFRS. Training seminars on relevant IFRS standards and their potential impact were provided to key FCAC personnel and will continue to be provided as changes to IFRS occur.

FCAC'S IFRS CHANGEOVER PLAN: ASSESSMENT AS AT MARCH 31, 2011

PROJECT PHASE	MILESTONE	STATUS
1. Diagnostic Assessment		
Identify differences in Canadian generally accepted accounting principles (GAAP) and IFRS accounting policies	Summary of the external advisor's report presented to FCAC's Executive and Audit committees	Completed
2. Design and Planning		
- Launch project, establish project governance - Develop training and communications plan	Project structures in place	Completed
3. Assessment, Design and Development		
- Identify solutions to IFRS and evaluate - Develop final solutions to IFRS	Solutions approved by FCAC's Executive and Audit committees	Completed
4. Implementation		
- Roll out IFRS solutions - Conduct testing and remediation	Financial systems and processes are able to capture and report IFRS information	Completed
5. Post-Implementation Review		
- Debrief management and assess implementation - Ongoing IFRS update and related changes management	Ongoing process after implementation	Ongoing

ANNEX TO THE STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER FINANCIAL REPORTING (UNAUDITED)

FISCAL YEAR 2010–2011

PREFACE

With the new Treasury Board Policy on Internal Control, effective April 1, 2009, departments and agencies are now required to demonstrate the measures they are taking to maintain an effective system of internal control over financial reporting (ICFR).

As part of this policy, departments and agencies are expected to conduct annual assessments of their systems of ICFR, establish action plans to address any necessary adjustments, and attach to their Statements of Management Responsibility a summary of their assessment results and action plans.

Effective systems of ICFR aim to achieve reliable financial statements and to provide assurances that:

- transactions are appropriately authorized;
- financial records are properly maintained;
- assets are safeguarded from risks such as waste, abuse, loss, fraud and mismanagement; and
- applicable laws, regulations and policies are complied with.

It is important to note that the system of ICFR is not designed to eliminate all risks, but rather to mitigate risk to a reasonable level with controls that are balanced with and proportionate to the risks they aim to mitigate.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess the effectiveness of associated key controls and adjust as required, as well as to monitor the system in support of continuous improvement. As a result, the scope, pace and status of those departmental assessments of the effectiveness of their system of ICFR will vary from one organization to another based on risks and their unique circumstances.

1. INTRODUCTION

1.1. Authority, Mandate and Program Activities

The Financial Consumer Agency of Canada (FCAC) was established to consolidate and strengthen oversight of consumer protection measures in the federally regulated financial sector, and to expand consumer education and financial literacy activities so that Canadians have the appropriate information and financial skills they need to make informed financial decisions and actively participate in and strengthen the financial sector. In July 2010, FCAC was also tasked with the oversight of payment card network operators and their commercial practices.

As a federal regulatory agency, FCAC is responsible for:

- ensuring that the market conduct of federally regulated financial entities complies with federal legislation and regulations;
- promoting the adoption of policies and procedures designed to implement legislation, regulations, voluntary codes of conduct and public commitments by federally regulated financial entities;
- monitoring federally regulated financial entities' compliance with voluntary codes of conduct and their own public commitments;

- informing consumers about their rights and responsibilities when dealing with financial entities and about the obligations of payment card network operators to consumers and merchants;
- providing timely and objective information and tools to help consumers understand, and shop for, a variety of financial products and services; and
- monitoring and evaluating trends and emerging issues that may have an impact on consumers of financial products and services.

FCAC's mandate supports a fair and secure marketplace.

Primary to FCAC's mandate and central to its contribution to Canada's financial marketplace are two strategic outcomes:

1. The rights and interests of financial consumers are respected.
2. Financial consumers understand their rights and responsibilities and make informed financial decisions.

Further details regarding FCAC's strategic outcomes, strategic priorities and Program Activity Architecture are available in the Annual Report at <http://www.fcac-acfc.gc.ca/eng/about/planningAccountab/index-eng.asp> and the Business Plan at <http://www.fcac-acfc.gc.ca/eng/about/planningAccountab/index-eng.asp>.

1.2. Financial Highlights

Below is key financial information for fiscal year 2010–2011. FCAC's audited financial statements for fiscal year 2010–2011 can be found at <http://www.fcac-acfc.gc.ca/eng/about/planningAccountab/index-eng.asp>.

- FCAC fully recovered all of its expenses for the fiscal year 2010–2011 through various revenue streams.
- Total expenses were \$11.7 million, representing an increase of \$780,200 or 7.2% from 2009–2010, which includes expenditures of \$1.8 million related to the Financial Literacy Program. The Financial Literacy Program is funded through appropriations.
- Human resources costs rose by \$983,600 or 17.2% as a result of staffing related to FCAC's expanded mandate (i.e. research function), vacant positions that were filled, and normal economic and merit increases. This was partly offset by a reduction of \$454,900 in professional services.

1.3. Service Arrangements Relevant to Financial Statements

FCAC relies on other organizations for the processing of certain transactions that are recorded in its financial statements:

Common Arrangements

- Public Works and Government Services Canada (PWGSC) centrally administers the payment of salaries and the procurement of some goods and services, as per FCAC's delegation of authority. In addition, several service-level agreements with PWGSC are in place for information technology and information management services.
- Treasury Board of Canada Secretariat (TBS) provides FCAC with information used to calculate various accruals and allowances, such as FCAC employee benefits.
- The Department of Justice Canada provides legal services to FCAC.

Specific Arrangements

- The Office of the Superintendent of Financial Institutions (OSFI) provides financial, human resources, internal audit and research services to FCAC.
- The Canada Deposit Insurance Corporation provides call centre administration services to FCAC.

1.4. Material Changes in Fiscal Year 2010–2011

No significant agency changes that are relevant to the financial statements occurred in 2010–2011.

2. FCAC'S CONTROL ENVIRONMENT RELEVANT TO ICFR

FCAC recognizes the importance of setting the tone from the top to help ensure that staff at all levels understand their roles in maintaining effective systems and processes of ICFR. FCAC's focus is to ensure risks are managed well through a proactive and responsive, risk-based control environment that enables continuous improvement and innovation.

Through its memoranda of understanding with the Office of the Superintendent of Financial Institutions with respect to financial services and audit services, FCAC is supported in the development and implementation of ICFR. Accordingly, the Director, Internal Audit Services of OSFI or a designate will attend Audit Committee meetings. In addition, the Director of Finance of OSFI and a representative from the Office of the Auditor General of Canada are also present, as pertinent.

FCAC's main entity-level controls currently in place and relevant to ICFR are set out below.

2.1. Governance

Commissioner (Deputy Head)—As the Accounting Officer, the Commissioner assumes overall responsibility and leadership for the stewardship, management and oversight of the Agency's resources and for the measures taken to maintain an effective system and processes of internal control. In this role, the Commissioner chairs the Management Committee and the Audit Committee.

Deputy Commissioner—FCAC's Deputy Commissioner supports the Commissioner in delivering FCAC's mandate, and is responsible for maintaining and reviewing effectiveness of systems and processes of ICFR falling within FCAC.

The Deputy Commissioner is FCAC's Chief Financial Officer (CFO). The CFO is responsible for financial matters, including risk assessment over financial reporting. The CFO is supported by the Director of Corporate Services, who is Deputy Chief Financial Officer. The latter holds a professional accounting designation.

Audit Committee—FCAC established its Departmental Audit Committee (AC) in January 2005. The AC is chaired by the Commissioner. The Management Committee meets to fulfill the Audit Committee mandate on a quarterly basis, with authority to convene additional meetings, as circumstances require.

In 2010–2011, the AC met three times, providing advice on governance, risk management and control.

In December 2009, the Commissioner indicated her intent to work with the Small Departments and Agencies (SDA) Audit Committee (AC) once the SDA AC Committee felt it would be ready to do so.

2.2. Key Measures Taken by FCAC

The control environment is an important factor for ICFR. FCAC's control environment incorporates a series of measures to equip its staff to manage risks through raising awareness, providing appropriate knowledge and tools, as well as developing skills. Key measures taken include:

- a Statement of Values and a Code of Conduct;
- a Conflict of Interest Policy;
- participation in the OSFI–FCAC joint ICFR Steering Committee to remain abreast of key ICFR issues;
- training programs and communications in core areas of financial management;
- a regularly updated matrix of delegated financial authorities; and
- documentation of main business processes and related key risks and control points to support the management and oversight of FCAC's system of ICFR.

3. ASSESSMENT OF FCAC'S SYSTEM OF ICFR

3.1. Assessment Baseline

Since March 31, 2002, FCAC's financial statements are audited annually by the Office of the Auditor General. To enable control-based audits rather than substantive audits, FCAC, through its financial services provider, has undertaken a program of documentation of business processes, information flows and internal controls. In 2009, Treasury Board issued the Policy on Internal Control. As a result, FCAC has further formalized its approach to managing its systems of ICFR.

Whether it is to support the control-based audit requirements or those of the Policy on Internal Control, an effective system of ICFR has the objectives to provide reasonable assurance that:

- transactions are appropriately authorized;
- financial records are properly maintained;
- assets are safeguarded; and
- applicable laws, regulations and policies are complied with.

Over time, this includes assessments of **design** and **operating effectiveness** of the system of ICFR, ensuring the **ongoing monitoring** and continuous improvement of the Agency's system of ICFR.

Design effectiveness means that key control points are identified, documented and in place, and are aligned with the risks (i.e. controls are balanced with and proportionate to the risks they aim to mitigate) and that any remediation is addressed. This includes the mapping of key processes and IT systems to the main accounts by location as applicable.¹

Operating effectiveness means that the application of key controls has been tested over a defined period and that any required remediation is addressed.

¹ Since FCAC receives its financial services from OSFI, it relies on the latter to appropriately design and test the operational effectiveness of the key processes that are common to both organizations, including the IT systems that support them.

3.2. Assessment Method at FCAC

Due to the size of FCAC, the nature of its business and risks, and building on business cycle / internal control documentation already completed for audited financial statements, FCAC determined that the major business cycles driving the financial statement accounts include:

- Revenue (Base Assessments, Appropriations);
- Expenses;
- Payroll;
- Financial Reporting; and
- Budgeting and Forecasting.

For each cycle, where OSFI is the service provider, the following steps have been completed:

- gathering information pertaining to processes and locations, risks and controls relevant to ICFR, including appropriate policies and procedures;
- mapping key processes, with the identification and documentation of key risks and control points on the basis of materiality, volumes, linkage to compliance documents, complexity, and susceptibility to losses/frauds; and
- testing the effectiveness of the design of the system of ICFR.

FCAC also documented and assessed its entity (corporate) level controls.

4. FCAC'S ASSESSMENT RESULTS

In assessing its key controls, FCAC focused on design effectiveness, which is the prerequisite to testing operating effectiveness.

4.1. Design Effectiveness of Entity-Level Controls

As at year end 2010–2011, FCAC completed the design assessment and operational effectiveness of the entity-level controls. The following recommendations were provided to improve the entity-level controls.

- Employees should annually confirm their compliance with FCAC policies.
- FCAC should document the risk of fraud at a more detailed level, which would identify the specific areas of risk and related mitigating strategies.
- FCAC should document annually the ongoing review of the existing service-level agreements with PWGSC and memoranda of understanding with OSFI.
- FCAC should complete the assessment and documentation of key business processes as a tool to document, identify and monitor key risks and related controls.

5. FCAC'S ACTION PLAN

5.1. Progress as at March 31, 2011

During 2010–2011, FCAC continued to make significant progress in assessing and improving its key controls. Below is a summary of the major progress made:

FCAC has completed work to address the following items:

- A financial risk assessment for internal controls over financial reporting.
- A review and documentation of entity-level controls concerning the control environment, risk assessment, information and communications, and monitoring activities.
- An operational assessment of FCAC's entity-level controls.

5.2. Action Plan for the Next Fiscal Year and Future Years

By the end of fiscal year 2011–2012, FCAC plans to:

- develop and implement an action plan to address the recommendations stemming from the entity-level design control assessment;
- complete the design assessment of FCAC's specific key controls surrounding FCAC's transactional key business processes (FCAC will rely on OSFI for the common controls surrounding key transactional business processes); and
- develop its multi-year risk-based monitoring strategy.



IT PAYS TO KNOW
SINFORMER, CEST PAYANT.

FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2011, and all information contained in these statements rests with the management of the Financial Consumer Agency of Canada (FCAC). These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for publicly accountable Canadian reporting entities.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of FCAC's financial transactions.

Management is also responsible for maintaining an effective system of internal control over financial reporting, designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded, and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational structure that provides appropriate divisions of responsibility; through communications programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout FCAC; and through conducting an annual assessment of the effectiveness of the system of internal control over financial reporting.

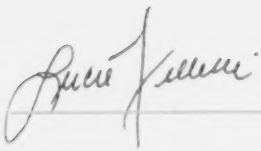
An assessment for the year ended March 31, 2011, was completed in accordance with the Treasury Board Secretariat's Policy on Internal Control, and the results and action plan are summarized in the annex (page 31).

The system of internal control over financial reporting is designed to mitigate risks to a reasonable level, based on an ongoing process to identify key risks, to assess effectiveness of associated key controls and to make any necessary adjustments.

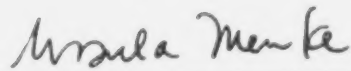
The effectiveness and adequacy of FCAC's system of internal control are reviewed, as appropriate, by the risk-based work of internal audit staff—through a memorandum of understanding with the Office of the Superintendent of Financial Institutions—who conduct periodic risk-based audits of different areas of FCAC's operations, and by FCAC's Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends to the Commissioner the approval of the audited financial statements.

STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER FINANCIAL REPORTING
(CONTINUED)

The Auditor General of Canada, the independent auditor for the Government of Canada, has audited the financial statements of FCAC and reports on his audit (which does not include an audit opinion on the annual assessment of the effectiveness of the agency's internal control over financial reporting) to the Minister of Finance.



Lucie Tedesco
Chief Financial Officer
Financial Consumer Agency of Canada



Ursula Menke
Commissioner
Financial Consumer Agency of Canada

Ottawa, Canada
June 22, 2011



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

I have audited the accompanying financial statements of the Financial Consumer Agency of Canada, which comprise the balance sheet as at 31 March 2011, and the statement of operations, comprehensive income and retained earnings and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Consumer Agency of Canada as at 31 March 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Margaret Haire, CA
Principal
for the Interim Auditor General of Canada

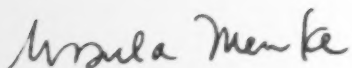
22 June 2011
Ottawa, Canada

Balance Sheet

As at March 31

	Note	2011	2010
ASSETS			
Current			
Cash Entitlement		\$ 2,152,537	\$ 2,254,865
Assessments Receivable, net	5	117,790	7,000
Other Receivables	5	89,327	35,831
Other Assets		45,544	38,150
Capital Assets	9	360,534	234,360
Intangible Assets	10	57,231	13,158
TOTAL ASSETS		\$ 2,822,963	\$ 2,583,364
LIABILITIES			
Current			
Accounts Payable and Accrued Liabilities	8	\$ 1,942,112	\$ 1,807,494
Unearned Assessments	8	335,612	313,652
Employee Future Benefits	11	545,239	462,218
Total Liabilities		2,822,963	2,583,364
Equity of Canada		—	—
TOTAL LIABILITIES AND EQUITY OF CANADA		\$ 2,822,963	\$ 2,583,364
Contractual Obligations	12		

Approved by:



Ursula Menke
Commissioner
Financial Consumer Agency of Canada

The accompanying notes are an integral part of these Financial Statements.

Statement of Operations, Comprehensive Income and Retained Earnings

For the year ended March 31

	Note	2011	2010
REVENUE			
Assessments	\$	9,782,568	\$ 8,983,943
Other Revenue		160	716
TOTAL REVENUE		9,782,728	8,984,659
EXPENSES			
Salaries and Benefits		6,693,542	5,709,943
Professional Services		2,961,564	3,416,454
Accommodation		658,991	585,261
Information Management/Technology		590,290	403,257
Administrative and Other		569,935	562,952
Travel		141,560	188,686
Interest		46,450	15,593
TOTAL EXPENSES		11,662,332	10,882,146
Operating Results before Government Funding and Administrative Monetary Penalties		(1,879,604)	(1,897,487)
Government Funding	13	1,879,604	1,897,487
Operating Results before Administrative Monetary Penalties		—	—
Administrative Monetary Penalties	15	175,000	450,000
Administrative Monetary Penalties Earned on Behalf of the Government	15	(175,000)	(450,000)
Net Operating Results and Comprehensive Income		—	—
RETAINED EARNINGS, BEGINNING OF YEAR		—	—
RETAINED EARNINGS, END OF YEAR	\$	—	\$ —

The accompanying notes are an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended March 31

	Note	2011	2010
OPERATING ACTIVITIES			
Cash Receipts from Financial Entities and Other Government Departments		\$ 12,295,598	\$ 10,975,046
Cash Paid to Suppliers and Employees		(11,884,972)	(10,541,214)
Interest Paid		(46,450)	(15,593)
Non-Respendable Administrative Monetary Penalties Remitted to the Consolidated Revenue Fund	15	(175,000)	(450,000)
Cash Provided by (Used for) Operating Activities		189,176	(31,761)
INVESTING ACTIVITIES			
Acquisition of Capital Assets	9	(250,790)	(102,633)
Acquisition of Intangible Assets	10	(40,714)	—
Cash Used for Investing Activities		(291,504)	(102,633)
FINANCING ACTIVITIES			
New Borrowings	8	7,000,000	4,000,000
Repayments		(7,000,000)	(4,000,000)
Cash Provided by Financing Activities		—	—
NET DECREASE IN CASH ENTITLEMENT		(102,328)	(134,394)
CASH ENTITLEMENT, BEGINNING OF YEAR		2,254,865	2,389,259
CASH ENTITLEMENT, END OF YEAR		\$ 2,152,537	\$ 2,254,865

The accompanying notes are an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended March 31, 2011

1. Authority and objectives

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). The Financial Consumer Agency of Canada is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities. The Agency is a department of the Government of Canada and is listed in Schedule I.1 of the *Financial Administration Act*.

FCAC's mandate is specifically set out in the *Financial Consumer Agency of Canada Act*. It must:

- a) supervise financial institutions to determine whether they are in compliance with
 - i. the consumer provisions applicable to them, and
 - ii. the terms and conditions or undertakings with respect to the protection of customers of financial institutions that the Minister imposes or requires and the directions that the Minister imposes under the Act;
- b) promote the adoption by financial institutions of policies and procedures designed to implement
 - i. provisions, terms and conditions, undertakings or direction referred to in paragraph a,
 - ii. voluntary codes of conduct that are designed to protect the interests of their customers, that are adopted by financial institutions and that are publicly available, and
 - iii. any public commitments made by them that are designed to protect the interests of their customers;
- c) monitor the implementation of voluntary codes of conduct that are designed to protect the interests of customers of financial institutions, that have been adopted by financial institutions and that are publicly available and to monitor any public commitments made by financial institutions that are designed to protect the interests of their customers;
- d) promote consumer awareness about the obligations of financial institutions under consumer provisions applicable to them and about all matters connected with the protection of consumers of financial products and services;
- e) foster, in cooperation with any department, agency or agent corporation of the Government of Canada or of a province, financial institutions and consumer and other organizations, an understanding of financial services and issues relating to financial services;
- f) monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services;
- g) supervise payment card network operators to determine whether they are in compliance with the provisions of the *Payment Card Networks Act* and its regulations;
- h) promote the adoption by payment card network operators of policies and procedures designed to implement the provisions of the *Payment Card Networks Act* and its regulations;

Notes to the Financial Statements

For the year ended March 31, 2011

1. Authority and objectives (continued)

- i) monitor the implementation of voluntary codes of conduct that have been adopted by payment card network operators and that are publicly available, and to monitor any public commitments made by them regarding their commercial practices in relation to payment card networks; and
- j) promote public awareness about the obligations of payment card network operators under a voluntary code of conduct or under the *Payment Card Networks Act*.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. Pursuant to section 13(2) of the Act, FCAC's operations are typically funded entirely through this process. FCAC is, however, entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act.

FCAC's assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations* and the financial assessment methodology of payment card network operators, which outline the methodologies used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under section 13(1) of the Act.

2. Accounting changes

International Financial Reporting Standards (IFRS)

On February 13, 2008, the Accounting Standards Board (AcSB) confirmed that the use of International Financial Reporting Standards (IFRS) will be required in 2011 for all publicly accountable Canadian reporting entities. IFRS will replace Canada's current generally accepted accounting principles for these entities that are responsible to large or diverse groups of stakeholders. FCAC will adopt IFRS commencing on April 1, 2011, with comparatives for the year commencing April 1, 2010. In 2008–2009 FCAC completed its initial assessment of the impact to its financial statements of adopting IFRS, and in 2009–2010 completed the "Solutions Development" phase of the project, which included a detailed study of all applicable standards identified in the initial assessment, the identification of all options available to FCAC, and recommendations for changes to policies, procedures, systems and business processes. In 2010–2011, FCAC implemented and tested the solutions that were developed, including a number of new policies, and will be entering into the post-implementation review stage in 2011–2012.

The most significant accounting change will result in the realization into income, on an annual basis, of all actuarial gains and losses arising from changes in interest rate and/or actuarial assumptions, if any, and the recognition of a liability for sick days that may be carried forward to future periods.

Notes to the Financial Statements

For the year ended March 31, 2011

3. Summary of significant accounting policies

a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for publicly accountable Canadian reporting entities.

b) Cash entitlement

FCAC does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

c) Financial instruments

The classification of financial instruments is determined by FCAC at initial recognition and depends on the purpose for which the financial assets were acquired or liabilities were incurred. All financial instruments are recognized initially at fair value.

The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

CLASSIFICATION	ACCOUNTING TREATMENT
Held for Trading (HFT)	Cash Entitlement is classified as "Held for Trading." Cash Entitlement is measured at fair value.
Loans and Receivables	Assessments Receivable and Other Receivables are classified as "Loans and Receivables." Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not debt securities. Subsequent to initial recognition, Loans and Receivables are measured at amortized cost using the effective interest method. Any gain, loss or interest income is recorded in revenues or expenses depending on the nature of the loan and receivable that gave rise to the gain, loss or income.
Other Financial Liabilities	Accounts Payable and Accrued Liabilities, and Unearned Assessments are classified as "Other Financial Liabilities." Other Financial Liabilities are non-derivative financial liabilities that have not been designated at fair value. Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenues or expenses depending on the nature of the financial liability that gave rise to the gain, loss or expense.

FCAC assesses at each Balance Sheet date whether there is objective evidence that a financial asset is impaired. For the classification of Loans and Receivables, any writedown or impairment is recognized in the period incurred and collected in the following year through assessments.

Notes to the Financial Statements

For the year ended March 31, 2011

3. Summary of significant accounting policies (continued)

d) Capital assets

All capital assets are initially recorded at acquisition cost. Amortization of capital assets is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

ASSETS	USEFUL LIFE
Furniture and Fixtures	7 years
Leasehold Improvements	lesser of useful life or remaining term of the lease
Informatics Software	5 years
Office Equipment	4 years
Informatics Hardware	3 years

e) Intangible assets

Intangible assets consist of externally purchased software that is not an integral part of the related hardware. Intangible assets acquired independently are measured on initial recognition at historical cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. An asset is considered impaired when its carrying value exceeds its recoverable value or it is no longer in use. The amortization expense on intangible assets is recognized in the Statement of Operations, Comprehensive Income and Retained Earnings, in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight-line method over the asset's estimated useful life of five years. FCAC reassesses annually the estimated useful life and amortization method of this asset category.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset at the time of disposal, and are recognized in the Statement of Operations, Comprehensive Income and Retained Earnings, when the asset is disposed of or otherwise written off.

f) Leases

FCAC's borrowing authority does not allow it to enter into lease agreements that are classified as capital leases. FCAC has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to FCAC of substantially all the benefits and risks incidental to ownership.

FCAC records the costs associated with operating leases in the Statement of Operations, Comprehensive Income and Retained Earnings, in the period in which they are incurred.

Notes to the Financial Statements

For the year ended March 31, 2011

3. Summary of significant accounting policies (continued)

g) Employee future benefits

i) Pension benefits

FCAC's eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, multiplied by the average of the best five consecutive years of earnings. The benefits are integrated with the Canada/Quebec Pension Plan benefits and they are indexed to inflation. Supplementary retirement benefits may also be provided in accordance with the *Special Retirement Arrangements Act*.

Both the employees and FCAC contribute to the cost of the Plan. FCAC's responsibility with regard to the Plan is limited to its contributions, which are recorded in the Statement of Operations, Comprehensive Income and Retained Earnings. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor. Current legislation does not require FCAC to make contributions for any actuarial deficiencies of the Plan.

ii) Severance benefits

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits. These benefits represent the only obligation of FCAC that entails settlement by future payment.

The cost of severance benefits is actuarially determined as at March 31 of each year, using the projected benefit method prorated on services. The valuation of the liability is based upon a current market discount rate and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. The excess of any net actuarial gain (loss) over 10% of the accrued benefit obligation is amortized over the average remaining service period of active employees.

iii) Other future benefits

The federal government sponsors a variety of other future benefit plans from which employees and former employees may benefit during employment or upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to FCAC employees and retirees. FCAC's responsibility with regard to these two plans is limited to its contributions, which are recorded as expenses in the Statement of Operations, Comprehensive Income and Retained Earnings.

h) Revenue recognition

The Agency is dependent on its revenue from the assessment of financial entities (banks, trust and loan companies, life insurance companies, property and casualty companies, retail associations, and payment card network operators) to fund most of its costs of operations, including those related to employee future benefits. FCAC recognizes sufficient revenue so as to recover its expenses. Any assessments that have been billed and for which costs have not been incurred are classified as Unearned Assessments on the balance sheet.

Notes to the Financial Statements

For the year ended March 31, 2011

3. Summary of significant accounting policies (continued)

h) Revenue recognition (continued)

Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed costs and actual. The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

Administrative monetary penalties may be issued by the Commissioner of the FCAC through Notices of Violations. These penalties are imposed in cases where the Commissioner believes that there has been either a violation of the consumer provisions or non-compliance with any Compliance Agreement entered into pursuant to an act listed in Schedule 1 of the *Financial Consumer Agency of Canada Act*. The penalty amount may be as high as \$50,000 for an individual and \$200,000 for an institution. Penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and are not included in the balance of the Cash Entitlement. As a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

4. Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these financial statements, management believes the estimates and assumptions to be reasonable. Liabilities related to human resources, employee future benefits and the useful life of capital assets are the most significant items for which estimates are used. Actual results could differ significantly from those estimates.

Notes to the Financial Statements

For the year ended March 31, 2011

5. Accounts receivable

The breakdown of all amounts owing to FCAC as at March 31, 2011 is as follows:

	Federally Regulated Financial Entities	Other	Total 2011	Total 2010
Assessments				
Trade Accounts Receivable	\$ 123,790	\$ —	\$ 123,790	\$ 16,055
Allowance for Doubtful Accounts	(6,000)	—	(6,000)	(9,055)
Assessments Receivable, net	117,790	—	117,790	7,000
Other				
Due from related parties	—	18,200	18,200	13,052
Other receivables	—	71,127	71,127	22,780
	—	89,327	89,327	35,832
Total	\$ 117,790	\$ 89,327	\$ 207,117	\$ 42,832
% of Total Exposure	57%	43%	100%	100%

All assessments receivable and accrued assessments are recoverable from federally regulated financial entities. FCAC regulates over 375 financial entities and does not have a significant receivable from any individual financial entity.

There are no Accrued Assessments that have not been billed at March 31, 2011.

As at March 31, the aging of trade accounts receivable was as follows:

Days Outstanding	Current	31-60	61-90	91-120	>120	Total
2011	\$ —	\$ 97,787	\$ 20,003	\$ —	\$ 6,000	\$ 123,790
2010	\$ —	\$ —	\$ —	\$ 7,875	\$ 8,180	\$ 16,055

FCAC records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provisions are also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off.

An account receivable will be considered to be impaired and will be written off when FCAC is certain that collection will not occur and all applicable requirements of the *Debt Write-Off Regulations, 1994* have been met. During the year, no interest was earned on impaired assets and none of the past due amounts has been renegotiated. Those that are neither past due nor impaired are considered to be fully collectible.

Notes to the Financial Statements

For the year ended March 31, 2011

5. Accounts receivable (continued)

At March 31, 2011, accounts receivable at initial value of \$6,000 (2010: \$9,055) were impaired and fully provided for. The following table provides a reconciliation of the movement in this allowance during the year:

	2011	2010
Allowance for Doubtful Accounts, beginning of year	\$ 9,055	\$ 9,001
Additions	1,000	3,055
Amounts written off	—	(1)
Unused amounts reversed	(4,055)	(3,000)
Allowance for Doubtful Accounts, end of year	\$ 6,000	\$ 9,055

6. Related party transactions

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

FCAC recorded expenses of \$3,347,842 (2010: \$2,912,223) and revenue of \$296,450 (2010: \$262,481) from transactions with other government departments during the period. Individually these transactions were in the normal course of business. Although most transactions are not individually significant, FCAC did have the following individually significant transactions:

Entity	Nature	Expense	Payable
Treasury Board	Pension contributions and other employee benefits	\$ 1,294,051	\$ 138,421
PWGSC	Accommodation, translation services and other services	\$ 757,595	\$ 18,848
OSFI	Finance, human resources, audit and library services	\$ 556,197	\$ 88,811
CDIC	Professional services	\$ 351,832	\$ 72,265
Department of Justice	Legal services	\$ 187,941	\$ 0

For the period ended March 31, 2011, the amounts of accounts receivable and accounts payable and accrued liabilities from all related parties are \$18,200 (2010: \$8,457) and \$320,795 (2010: \$351,053), respectively.

During the year, FCAC received audit services without charge from the Office of the Auditor General of Canada. This non-monetary transaction has been recorded as both an expense and government assistance revenue in the amount of \$80,000 (2010: \$55,000).

Notes to the Financial Statements

For the year ended March 31, 2011

7. Fair value

Due to their short-term nature, the carrying values of FCAC's financial instruments are presumed to approximate their fair values.

8. Financial risk management

FCAC's financial liabilities include Accounts Payable and Accrued Liabilities, and Unearned Assessments. The main purpose of these liabilities is to provide short-term financing for FCAC's operations. Financial assets include Assessments Receivable and Other Receivables.

FCAC is exposed to market risk, credit risk and liquidity risk in connection with financial instruments.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. FCAC is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar, and is exposed to interest rate risk as discussed below. FCAC is not exposed to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. FCAC's exposure to the risk of changes in foreign exchange rates relates primarily to the Agency's operating activities (when revenues or expenses are denominated in a currency other than the Canadian dollar).

FCAC manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of FCAC's transactions are denominated in Canadian dollars; consequently, FCAC's exposure to currency risk is insignificant.

There is no impact to revenue since all billings are done in Canadian dollars.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FCAC's exposure to the risk of market interest rates relates primarily to FCAC's loans payable with floating interest rate as determined by the Department of Finance Canada. As all amounts borrowed are required to be repaid by March 31 of any fiscal year, FCAC is not exposed to interest rate risk at the year-end date. FCAC attempts to reduce the borrowings necessary by effectively forecasting its required cash flows from assessments from financial entities. FCAC is not authorized to enter into any arrangements in order to reduce its exposure to interest rate risk.

Notes to the Financial Statements

For the year ended March 31, 2011

8. Financial risk management (continued)**a) Market risk (continued)**

The table below demonstrates the sensitivity of FCAC's operating expenses to a one-percentage-point fluctuation in market interest rates, with all other variables held constant.

	Fluctuation in Interest Rate	Effect on Expenses
2011	+1%	\$ 38,630
	-1%	(38,630)
2010	+1%	\$ 25,534
	-1%	(25,534)

b) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss for FCAC. The maximum exposure FCAC has to credit risk as at March 31, 2011, is \$213,117 (2010: \$51,831), which is equal to the carrying value of its Assessments Receivable and Other Receivables.

All federally regulated financial entities are required to register with FCAC and pay the assessments as established by FCAC. Any loss incurred by FCAC as a result of a counterparty's not meeting its obligations is recorded in the year incurred and collected in the following year, as outlined in the *Financial Consumer Agency of Canada Act*. All remaining receivables are with other government organizations, where there is minimal potential risk of loss. FCAC does not hold collateral as security.

c) Liquidity risk

Liquidity risk is the risk that FCAC will encounter difficulty in meeting obligations associated with financial liabilities. FCAC's objective is to maintain sufficient Cash Entitlement through collection of assessments and fees in order to meet its operating requirements. FCAC manages liquidity risk through a detailed annual planning and billing process, which is structured to allow for sufficient liquidity from one billing period to the next. FCAC's objective is to accurately estimate its operating costs for the year in order to accurately estimate the assessments and fees to be collected from federally regulated financial entities.

FCAC's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Cash Entitlement
- Borrowings from the Consolidated Revenue Fund

The table below summarizes the maturity profile of FCAC's financial liabilities at March 31, 2011, based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which FCAC can be required to pay. When amounts are due in instalments, each instalment is allocated to the earliest period in which FCAC can be required to pay.

Notes to the Financial Statements

For the year ended March 31, 2011

8. Financial risk management (continued)

c) Liquidity risk (continued)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total 2011	Total 2010
Accounts Payable and Accrued Liabilities	\$ 293,493	\$ 1,366,881	\$ 281,740	\$ —	\$ —	\$ 1,942,114	\$ 1,807,494
Unearned Assessments	—	—	335,612	—	—	335,612	313,652
Total	\$ 293,493	\$ 1,366,881	\$ 617,352	\$ —	\$ —	\$ 2,277,726	\$ 2,121,146

By December 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the *Financial Consumer Agency of Canada Act* and the consumer provisions. The Commissioner then assesses each federally regulated financial entity a portion of these expenses, as determined by regulation. Interim assessments are also possible. To temporarily fund expenses until entities are assessed, before March 31 of each year the Agency must seek Ministerial authority to borrow from the Consolidated Revenue Fund for the next fiscal year, up to a predetermined limit. The authority to borrow from the Consolidated Revenue Fund is granted under section 13 of the *Financial Consumer Agency of Canada Act*. For the year ended March 31, 2011, the Minister has approved up to \$8,000,000 (2010: \$8,000,000). All amounts borrowed during any fiscal year must be repaid at the end of the fiscal year. The Agency pays interest on the funds borrowed as described under "Interest Rate Risk."

Refer to Note 1 for further information on FCAC's authority.

The liquidity of FCAC's financial assets is outlined in Note 5, "Accounts receivable."

Notes to the Financial Statements

For the year ended March 31, 2011

9. Capital assets

Categories	Cost				Accumulated Amortization				Net Book Value	
	Opening balance	Additions	Disposals/ Transfers	Closing balance	Opening balance	Amortization Expense	Disposals/ Transfers	Closing balance	2011	2010
Furniture and fixtures	\$ 619,663	\$ —	\$ (4,443)	\$ 615,220	\$ 512,230	\$ 31,909	\$ (4,443)	\$ 539,696	\$ 75,524	\$ 107,433
Leasehold Improvements	552,432	103,432	—	655,864	519,980	23,564	—	543,544	112,320	32,452
Informatics Software	28,744	—	(8,500)	20,244	15,586	4,049	(8,500)	11,135	9,109	13,158
Office Equipment	78,582	—	(31,624)	46,958	63,794	4,914	(31,624)	37,084	9,874	14,788
Informatics Hardware	201,694	147,358	(47,109)	301,943	135,165	45,157	(32,086)	148,236	153,707	66,529
Total	\$1,481,115	\$ 250,790	\$ (91,676)	\$ 1,640,229	\$1,246,755	\$ 109,593	\$ (76,653)	\$ 1,279,695	\$ 360,534	\$ 234,360

10. Intangible assets

Category	Cost				Accumulated Amortization				Net Book Value	
	Opening balance	Additions	Disposals/ Transfers	Closing balance	Opening balance	Amortization Expense	Disposals/ Transfers	Closing balance	2011	2010
Informatics Software	\$ 102,819	\$ 40,714	\$ (44,432)	\$ 99,101	\$ 89,661	\$ 11,665	\$ (59,456)	\$ 41,870	\$ 57,231	\$ 13,158

11. Employee future benefits

a) Pension benefits

FCAC and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The estimated employer contributions to the Public Service Pension Plan during the year were \$600,644 (2010: \$552,939).

As required under present legislation, the contributions made by FCAC to the Plan are 1.86 times (2010: 1.94 times) the employees' contribution on amounts of salaries of \$142,800 or less (2010: \$139,500 or less) and 9.5 times (2010: 8.9 times) the employees' contribution on amounts of salaries in excess of \$142,800 (2010: \$139,500).

Notes to the Financial Statements

For the year ended March 31, 2011

11. Employee future benefits (continued)

b) Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

	2011	2010
Accrued Benefit Obligation, beginning of year	\$ 438,540	\$ 425,329
Current service cost	57,325	62,616
Interest cost	25,696	18,261
Benefits paid	—	(214)
Actuarial gain	(55,686)	(67,452)
Accrued Benefit Obligation, end of year¹	465,875	438,540
Unamortized Net Actuarial Gain	79,364	23,678
Accrued Benefit Liability	\$ 545,239	\$ 462,218
Net Benefit Plan Expense		
Current service cost	\$ 57,325	\$ 62,616
Interest cost	25,696	18,261
Amortization of net actuarial losses ²	—	96
Net Benefit Plan Expense	\$ 83,021	\$ 80,973

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 4.85% (2010: 5.5%). For measurement purposes, management's best estimate for the general salary increases used to estimate the current service cost and the accrued benefit obligation as at March 31, 2011, is an annual economic increase of 1.5% for the plan years 2012 and 2013 and a rate of 2.5% for 2014 (2010: 1.5% for the plan years 2011 to 2012 inclusively). Thereafter, an annual economic increase of 1.5% (2010: 2.0%) is assumed. The average remaining service period of active employees covered by the benefit plan is 14 years (2010: 14 years).

¹ The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's revenue from assessments outlined in Note 3(b) to the financial statements. Amounts collected in excess of benefits paid are presented on the Balance Sheet under the heading of Cash Entitlement.

² The amortization period is the remaining average service period of active employees.

Notes to the Financial Statements

For the year ended March 31, 2011

12. Contractual obligations

Contractual obligations arising from service agreements entered into with various departments and one Crown corporation for the supply of key services to the Agency, as well as future minimum lease payments for the remaining term of the Agency's lease for office space, are outlined below.

Year ending March 31	Service agreements	Operating lease	Total
2012	\$ 676,604	\$ 486,828	\$ 1,163,432
2013	491,516	451,325	942,841
2014	494,129	456,003	950,132
2015	518,538	230,340	748,878
2016	543,489	—	543,489
Total	\$ 2,724,276	\$ 1,624,496	\$ 4,348,772

13. Government funding

Effective 2007–2008, FCAC is entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act. The funding is to support efforts to improve financial literacy in Canada. During the year ended March 31, 2011, FCAC received an appropriation of \$1,799,604 (2010: \$1,842,487).

FCAC has also recorded non-monetary government assistance for audit services provided by the Office of the Auditor General of Canada in the amount of \$80,000 (2010: \$55,000).

14. Capital management

FCAC operates on a cost recovery basis. Its objective when managing capital is to closely manage actual costs to those estimated and communicated to its paying stakeholders. FCAC is prohibited from issuing its own capital or its own debt to meet any capital requirements. Any operating shortfall or excess is factored into the assessments charged to regulated entities in the following year. FCAC fully recovered all of its costs incurred in the reporting year.

FCAC is not subject to any externally imposed capital requirement. FCAC did not change its capital management objectives, policies or processes during the year ended March 31, 2011.

15. Administrative monetary penalties

Administrative monetary penalties levied by FCAC are non-respendable and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and are not included in the balance of the Cash Entitlement. As a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

FCAC levied \$175,000 (2010: \$450,000) in administrative monetary penalties during the fiscal year ended March 31, 2011.

HOW TO REACH US

We welcome your questions and feedback. FCAC offers a variety of publications, information and interactive tools for consumers.

WEBSITE

fcac.gc.ca

TELEPHONE (TOLL-FREE)

(Consumer Contact Centre)

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From the Ottawa area or from outside Canada

613-996-5454

TTY (TOLL-FREE)

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From the Ottawa area or from outside Canada

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